JS Global

JS 环球生活有限公司
JS GLOBAL LIFESTYLE COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1691

GLOBAL OFFERING

Joint Sponsors

CREDIT SUISSE　Morgan Stanley　ICBC 工银国际

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CREDIT SUISSE　Morgan Stanley　ICBC 工银国际　CICC 中金公司

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

JS Global Lifestyle Company Limited

JS 环球生活有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**499,830,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**49,983,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**449,847,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	**:**	**HK$5.20 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**1691**

Joint Sponsors

CREDIT SUISSE Morgan Stanley ICBC 工银国际

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CREDIT SUISSE Morgan Stanley ICBC 工银国际 CICC 中金公司

Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL CMS 招商證券國際 建银国际 CCB International

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32). Neither the Securities and Futures Commission of Hong Kong nor the Registrar of Companies in Hong Kong takes any responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price will be HK$5.20 per Offer Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the Offer Price of HK$5.20 for each Offer Share together with brokerage of 1% per Offer Share, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.jsgloballife.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares."

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in "Risk Factors."

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

December 9, 2019

*If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.jsgloballife.com**.*

Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Monday, December 9, 2019
Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways[2]:	
(1) the IPO App, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp	
(2) the designated website www.hkeipo.hk	11:30 a.m. on Thursday, December 12, 2019
Application lists open[3]	11:45 a.m. on Thursday, December 12, 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, December 12, 2019
Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 12, 2019
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, December 12, 2019
Application lists close[3]	12:00 noon on Thursday, December 12, 2019
Announcement of the results of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before[9]	Tuesday, December 17, 2019
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for the Hong Kong Offer Shares" from[9]	Tuesday, December 17, 2019
A full announcement containing the information above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.jsgloballife.com[5] from[9]	Tuesday, December 17, 2019
Results of allocations in the Hong Kong Public Offering will be available at "Allotment Result" in the IPO App or at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult) with a "search by ID Number/Business Registration Number" function from[9]	Tuesday, December 17, 2019
Dispatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6][8][9]	Tuesday, December 17, 2019
Dispatch/collection of refund checks and HK eIPO White Form e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7][8][9]	Tuesday, December 17, 2019
Dealings in Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on[9]	Wednesday, December 18, 2019

(1) *All dates and times refer to Hong Kong local dates and times, except as otherwise stated. For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, see "Structure of the Global Offering."*

(2) *You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the IPO App or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.*

(3) *If there is a tropical cyclone warning signal number 8 or above or an announcement of "extreme conditions" by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 12, 2019, the application lists will not open or close on that day. See "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists." If the application lists do not open and close on Thursday, December 12, 2019, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.*

(4) *Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for the Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS."*

(5) *Neither our Company's website nor any of the information contained on our Company's website forms part of this prospectus.*

(6) *Share certificates of the Offer Shares will only become valid at 8:00 a.m., on Wednesday, December 18, 2019 provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.*

(7) *e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund checks.*

(8) *Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Form** through the IPO App or the designated website **www.hkeipo.hk** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund checks and/or Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 17, 2019 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.*

*Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund checks, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.*

*Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies—Personal Collection—(iv) If you apply via Electronic Application Instructions to HKSCC" for details.*

*Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.*

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for the Hong Kong Offer Shares—13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(9) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or extreme conditions is/are in force in any days between Monday, December 9, 2019 to Wednesday, December 18, 2019, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund check(s)/HK eIPO White Form e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange will be postponed and an announcement will be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for the applications of Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares."

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by JS Global Lifestyle Company Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

	Page
Expected Timetable	i
Contents	iv
Summary	1
Definitions	21
Glossary of Technical Terms	34
Forward-looking Statements	36
Risk Factors	37
Waivers from Strict Compliance with the Listing Rules	70
Information about the Prospectus and the Global Offering	74
Directors and Parties Involved in the Global Offering	77
Corporate Information	82
Industry Overview	84
Regulatory Overview	101
History, Reorganization and Corporate Structure	120
Business	143
Relationship with our Controlling Shareholders	196
Connected Transactions	206
Directors and Senior Management	214
Substantial Shareholders	228
Share Capital	230
Financial Information	233
Future Plans and Use of Proceeds	302

CONTENTS

	Page
Cornerstone Investors	303
Underwriting	306
Structure of the Global Offering	318
How to Apply for the Hong Kong Offer Shares	328
Appendix I—Accountants' Report	I-1
Appendix II—Unaudited Pro Forma Financial Information	II-1
Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law	III-1
Appendix IV—Statutory and General Information	IV-1
Appendix V—Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

Mission

Our mission is to positively impact people's lives around the world every day through transformational, innovative and design-driven smart home products.

Company Profile

We are a global leader in high-quality, innovative small household appliances. Our success is centered around our deep understanding of consumer needs, and is built on our strong product innovation and design capability powered by a global research and development platform, marketing strengths driving high brand engagement, and an omni-channel distribution coverage with high penetration. We continuously develop new products and expand into new categories. Through our diverse product portfolio, we cultivate markets, create consumer demand, lead our categories by building up market anticipation around product launches, and reshape consumer behaviors and lifestyles around the world. With our trusted market-leading brands, Joyoung, Shark and Ninja, we continue to maintain our leadership in the global small household appliance market. According to the Frost & Sullivan Report, we ranked 6th globally, and 3rd among the small household appliance-focused companies, each by market share in 2018, and hold leading market position in China and the United States, the two largest small household appliance markets.

Global Small Household Appliance Market Size and Our Rankings

	Our Ranking by Market Share(1) 2018	Market Share(1) 2018 (%)	Market Size 2018 (US$ million)	Estimated Market Size 2023E (US$ million)	Projected Market Size CAGR 2018-2023E (%)
Ranking					
Global	**6th**	4.5%	98,306.7	144,550.4	8.0%
China	**3rd**	8.8%	23,700.3	40,938.8	11.6%
US	**2nd**	8.1%	25,040.2	32,348.3	5.3%

Source: *Frost & Sullivan Report*

(1) Market share is based on retail sales value.

In our main product markets, we have gained and maintained an industry-leading market share as indicated below:

Rankings of Our Selected Products in China and the United States

	Our Ranking by Market Share[1] 2018	Market Share[1] 2018 (%)	Market Size 2018 (US$ million)	Estimated Market Size 2023E (US$ million)	Projected Market Size CAGR 2018-2023E (%)
Selected Product Ranking					
High-performance Multifunctional Blenders	**1st in China**	36.6%	1,707.3	4,980.0	23.9%
Food Processors	**1st in China**	36.8%	445.8	671.8	8.5%
Vacuums	**1st in US**	36.4%	3,191.5	3,711.5	3.1%
Robotic Vacuums	**2nd in US**	19.0%	935.6	2,312.4	19.8%
Steam Mops	**2nd in US**	28.5%	308.4	370.2	3.7%
Multifunctional Cookers	**2nd in US**	14.4%	598.4	1,195.7	14.8%

Source: *Frost & Sullivan Report*

(1) Market share is based on retail sales value.

BUSINESS MODEL

Our business processes, from research and development, procurement and production to sales and marketing, are fully integrated and responsive to consumer needs. We focus on our three core competencies: (i) developing transformational innovative products with appealing designs, (ii) effecting multi-form brand marketing and (iii) building a global omni-channel sales network. They are supported by our operational infrastructure, comprising global research and development platform, centralized supply chain with a global reach and our comprehensive information management system across the entire value chain.

Core Competencies

- *Innovative Products with Appealing Designs.* Leveraging our global research and development network, we have introduced transformational innovative products with cutting-edge technologies and appealing designs to the markets, ranging from revolutionary products that are original or market-first, evolutionary products that are market-disruptive, to upgraded products with enhanced design and functionality.
- *Brand Marketing.* We operate a number of successful and trusted brands, including Joyoung, Shark and Ninja, and continuously drive high brand engagement and sales through our multi-channel marketing campaigns based on our profound market and consumer insights to broaden consumer reach.
- *Global Omni-channel Sales Network.* Our highly effective channel strategies and extensive omni-channel sales, marketing and distribution network are tailored to the respective local markets and maximize our international market penetration.

Operational Infrastructure

- *Global Research and Development*. The amassing of information on consumer feedback, preferences and behaviors through our global operation has fueled our collaborative and synergistic research and development platform led by our highly qualified and integrated international teams of experts in China, the United States and the United Kingdom.

- *Centralized Supply Chain with a Global Reach*. Our long history of operation, a strong relationship with our highly flexible and accommodating supply chain and our leading position in China, supported by our supply chain hubs around the world, enable us to achieve synergies and maintain an agile position, thereby increasing efficiency and profitability.
- *Comprehensive Information Management System*. We design our information management systems to collect data on consumer feedback, preferences and behaviors, and keep our business processes, from research and development, procurement and production to sales and marketing, fully integrated and responsive to such data. Our information management systems seamlessly connect various business units and parties involved in our operation to optimize efficiency.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors:

- Global industry leader with trusted household brands;
- Category disruptor with a proven track record of introducing innovative products, creating new market segments and generating consumer demand;
- Highly effective omni-channel sales, marketing and distribution strategy, maximizing global market penetration;
- Loyal and engaged consumer base, driving virtuous cycle in our business ecosystem;
- Synergies derived from our highly complementary global businesses, propelling sustainable future growth; and
- Seasoned senior management team with global experience led by our visionary founding shareholders.

OUR STRATEGIES

We are committed to driving sustainable long-term growth and strengthening our market position as a global leader in small household appliances through the following strategies:

- Develop and commercialize innovative products, combining powerful technology and appealing designs;
- Drive sustainable long-term growth through sales network and product category expansion;
- Maximize synergies between Joyoung segment and SharkNinja segment;
- Strengthen our brand recognition and enhance consumer engagement; and
- Pursue strategic partnerships and acquisitions.

TRANSFORMATIONAL PRODUCTS CREATED BY GLOBAL RESEARCH AND DEVELOPMENT PLATFORM

We are relentlessly moving forward, adapting to the market environment and dedicated to being on the leading edge of user-friendly innovation to make the lives of consumers easier and better. To

achieve this goal, we have built a global innovation powerhouse running around the clock with research and development facilities and engineering talent spread across our five research and development centers in China, the United States and the United Kingdom. Our research and development process comprises product planning and development phases. In the product planning phase, we focus on NTD (New Technology Development) based on our profound industry expertise and consumer insights, especially those technologies that may be applied to products across categories. We formulate predictive market trends watchlists and product roadmaps for the next one to five years based on our NTD results. In the product development phase, we focus on NPD (New Product Development) to develop products that are expected to be launched within six months to three years. Throughout the whole research and development process, we value consumer feedback which provides valuable guidance on our product planning and development.

In terms of development concepts, our products can generally be categorized into three groups: (i) revolutionary products, (ii) evolutionary products and (iii) upgraded products. Revolutionary products are market-first products developed based on our in-depth understanding, as well as accurate analysis and forecast, of consumer needs, such as Joyoung soymilk makers and Ninja Foodi series. Evolutionary products utilize evolutionary concepts or technologies to optimize an existing product line by providing more innovative features, and are developed based on our understanding of consumer pain points at different stages of the product life cycle, such as Joyoung high-performance multifunctional blenders and Shark robotic vacuums. We also routinely upgrade our existing products to roll out upgraded products with enhanced design and functionality catering to wider consumer demographics.

OMNI-CHANNEL SALES NETWORK

As a leader in the global small household appliance market, we have established differentiated channel strategies and a robust omni-channel sales and distribution network that are tailored to the respective local markets. We generally hold a prominent position in the channels where consumers choose to shop.

Our New Retail in China

Leveraging our established omni-channel sales and distribution network, we have adopted a closed-loop new retail business model in China. New retail is an emerging consumer-centric retail business model that integrates online and offline sales and distribution resources to enhance consumer experience by increasing efficiency of inventory management, supply chain management, product selection and logistics. New retail is a leading and progressive business model in China. Through new retail, we enhance the connections among consumers, merchandises and stores which are the three core elements of this model. Consumers participate in the development of products through information and feedback which have become an integral part of the consumption process. In China, our products are available at various online and offline platforms such as Tmall, JD.com, Suning, Gome and Walmart China.

Our Extensive Sales Channels in the United States, Canada and the United Kingdom

In the United States, Canada, and the United Kingdom, we primarily sell our products directly to retailers or to consumers through our websites, instead of engaging distributors. We have a high penetration rate in both online and offline retail channels and have formed our DTC (Direct to

Consumer) and DTR (Direct to Retailer) sales models. For DTC, we sell products directly to consumers through our SharkNinja website or television shopping platforms, which enable us to obtain first-hand knowledge of consumer behaviors. For DTR, we have established long-standing relationships with key retailers, including Wal-Mart, Target, Costco, Amazon, Kohl's, Bed Bath & Beyond and Sam's Club, and we expand consumer reach by taking advantage of the established consumer base and brand recognition of the top retailers.

OUR SUPPLIERS

Our dedicated in-house teams work closely with our suppliers to strengthen and enhance our relationship with them, implement our quality control standards and improve our bargaining power in terms of pricing and overall risk management. Our suppliers primarily comprise OEM suppliers and suppliers of components and raw materials for in-house production. Purchases from our five largest suppliers in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$288.0 million, US$366.4 million, US$682.9 million and US$287.4 million, respectively, which represented 38.3%, 35.7%, 40.5% and 37.7%, respectively, of our total purchase cost for the same periods. See "Business—Our Suppliers."

OUR CUSTOMERS

In general, our products are sold first to distributors and retailers who are considered our direct customers. Distributors generally resell these products to other distributors and retailers or directly to consumers, while our retailers generally carry our products throughout their entire network of stores within a given country and sell directly to consumers. Revenue from our five largest customers in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$305.7 million, US$330.8 million, US$703.8 million and US$325.3 million, respectively, which represented 27.7%, 21.2%, 26.2%, and 26.3%, respectively, of our total revenue for the same periods. See "Business—Our Customers."

INDUSTRY AND COMPETITIVE LANDSCAPE

We operate in highly competitive markets, which are characterized by frequent product introductions and rapid technological advances. We generally compete with other household appliances companies. Principal competitive factors include product features, relative price and performance, product quality and reliability, design innovation, brands, consumer experience, marketing and distribution capability, customer service and support and corporate reputation. Our main competitors include domestic and global household appliance industry leaders. See "Industry Overview—Competitive Landscape."

CONTROLLING SHAREHOLDERS

The Controlling Shareholders Group, consisting of Mr. Wang Xuning, Mr. Zhu Hongtao, Mr. Zhu Zechun, Ms. Yang Ningning, Ms. Huang Shuling, Ms. Han Run and Mr. Jiang Guangyong, is a group of individuals holding their interests in our Company through a common investment holding entity, namely, JS Holding. JS Holding will own approximately 48.12% of the total issued share capital of our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised); and accordingly the Controlling Shareholders Group, their respective BVI SPVs, Hezhou, Tong Zhou and JS Holding will be Controlling Shareholders of our Company being interested in 48.12% of the Shares of our Company.

In addition, STL holds 100 management shares (representing 100% of the voting rights) and one class B participating share (without voting rights) in Sol SPC, while Mr. Lee Puay Khng holds 368,304.24536 class A participating shares (representing 100% of the issued class A participating shares and without voting rights) in Sol SPC. STL is wholly owned by XNL, which is in turn wholly owned by Mr. Wang Xuning. Therefore, Mr. Wang Xuning will also be deemed to own the Shares of our Company held by Sol SPC and each of Mr. Wang Xuning, STL and Sol SPC will be Controlling Shareholders of the Company. As a result, Mr. Wang Xuning will be deemed to own 59.17% of the total issued share capital of our Company to be held in aggregate by JS Holding and Sol SPC, upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

For further details about our Controlling Shareholders, see "Relationship with our Controlling Shareholders."

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules."

PRE-IPO INVESTMENTS

We introduced Comfort Home and Victory Ride as our Pre-IPO Investors through several rounds of Pre-IPO Investments. For details, see "History, Reorganization and Corporate Structure."

RSU PLAN

In order to recognize and reward our management and employees for their contribution, to attract the best available talents, and to provide additional incentives to them to remain with and further promote the success of our business, we adopted the RSU Plan on October 9, 2019 and issued and allotted 141,618,409 ordinary shares with a par value of US$0.00001 pursuant to the RSU Plan on October 25, 2019. As of the date of this prospectus, we had granted an aggregate of 129,265,801 restricted stock units, the underlying Shares of which represent approximately 4.56% of our issued share capital prior to the Global Offering and approximately 3.88% of our issued share capital upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised). See "Appendix IV—Statutory and General Information—D. RSU Plan."

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Reports set out in Appendix I to this prospectus. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, our consolidated financial statements contained in this prospectus, including the related notes, which is prepared in accordance with IFRS. We completed the acquisition of SharkNinja on September 29, 2017 and have consolidated its financial results since then. As a result, our results of operations in the post-acquisition periods are not directly comparable with those in the previous periods and may have appeared to fluctuate during the Track Record Period.

In addition, to comply with the requirements of Rule 4.05A of the Listing Rules, as well as to facilitate the understanding of the impact of the acquisition of SharkNinja, this prospectus also includes

the pre-acquisition financial statements of SharkNinja as of and for the fiscal years ended March 31, 2016 and 2017 and the period from April 1, 2017 to September 28, 2017, which have been audited by Ernst & Young and are set forth in Section III of the notes to the Accountants' Report in Appendix I to this prospectus. For a discussion and analysis of our historical financial performance, see "Financial Information."

Summary Consolidated Income Statement

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
REVENUE	**1,103.0**	**1,563.4**	**2,681.9**	**1,153.9**	**1,235.8**
Cost of sales	(751.6)	(1,044.3)	(1,682.9)	(728.5)	(773.7)
Gross profit	**351.4**	**519.1**	**999.0**	**425.4**	**462.1**
Other income and gains	41.1	22.9	44.5	17.2	12.3
Selling and distribution expenses	(161.1)	(263.7)	(477.6)	(213.3)	(203.5)
Administrative expenses	(80.5)	(136.0)	(317.6)	(149.5)	(179.1)
Impairment losses on financial assets	(1.4)	(2.6)	(4.1)	(4.2)	(1.3)
Other expenses	(3.4)	(22.8)	(31.3)	(18.0)	(17.6)
Finance costs	(1.4)	(18.2)	(78.3)	(36.8)	(44.0)
Share of profits and losses of associates	(2.5)	3.2	5.8	5.7	0.1
PROFIT BEFORE TAX	**142.2**	**101.9**	**140.4**	**26.5**	**29.0**
Income tax (expense)/credit	(19.8)	39.0[1]	(28.3)	(5.9)	(7.1)
PROFIT FOR THE YEAR/PERIOD	**122.4**	**140.9**	**112.1[2]**	**20.6**	**21.9**
Attributable to:					
Owners of the parent	51.9	48.2	34.9	(0.8)	2.4
Non-controlling interests	70.5	92.7	77.2[3]	21.4	19.5[4]
NON-IFRS MEASURES (unaudited):					
Adjusted net profit[5]	**101.9**	**139.6**	**151.1**	**37.3**	**58.0**
Attributable to:					
Owners of the parent	43.7	53.6	59.8	9.3	23.7
Non-controlling interests	58.2	86.0	91.3[6]	28.0	34.3[7]
EBITDA[8]	**155.5**	**148.3**	**304.0**	**101.9**	**115.3**
Adjusted EBITDA[9]	**135.0**	**197.0**	**312.1**	**104.0**	**136.9**

(1) Upon the acquisition of SharkNinja as of September 29, 2017, we recorded net deferred tax liabilities of US$166.6 million, which were primarily related to fair value adjustments made to the acquired assets, the future amortization of which is not deductible for tax purposes. In December 2017, the US federal tax rate was reduced from 35% to 21% effective from January 1, 2018, therefore the net deferred tax liability related to SharkNinja was revalued using the lower tax rate, thereby resulting in a tax credit of US$39.0 million in 2017.

(2) Our profit for the year decreased from US$140.9 million in 2017 to US$112.1 million in 2018, primarily due to (i) changes in carrying amount of financial liabilities associated with the put option arising from the acquisition of SharkNinja; (ii) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja; (iii) recognition of income tax credit of US$39.0 million in 2017, which did not reoccur in 2018; and (iv) an increase in interest expenses in 2018 as a result of our bank loans incurred for the acquisition of SharkNinja at the end of September 2017. Such a decrease was partially offset by an increase in gross profit of US$479.9 million. For a more comprehensive analysis, see "Financial Information—Description of Major Components of Consolidated Income Statement."

(3) Out of the profit for the year attributable to the non-controlling interests of US$77.2 million in 2018, US$35.5 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became Shareholders of the Company, consisting of US$16.6 million and US$18.9 million relating to Compass's non-controlling interests and Bilting, respectively.

(4) Out of the net profit attributable to the non-controlling interests of US$19.5 million in the six months ended June 30, 2019, a loss of US$3.6 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the

relevant steps in the Reorganization became Shareholders of the Company, consisting of a loss of US$7.6 million and a profit of US$4.0 million relating to Compass's non-controlling interests and Bilting, respectively.

(5) We define adjusted net profit as profit for the year/period adjusted for certain items that do not affect our ongoing operating performance, including items arising from acquisition and relating to the Reorganization and non-recurring items and items not related to our ordinary course of business (each without considering tax effect). For a reconciliation of profit for the year/period to adjusted net profit as we define, see "Financial Information—Non-IFRS Measures."

(6) Out of the adjusted net profit attributable to the non-controlling interests of US$91.3 million in 2018, US$59.9 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became Shareholders of the Company, consisting of US$45.9 million and US$14.0 million relating to Compass's non-controlling interests and Bilting, respectively.

(7) Out of the adjusted net profit attributable to the non-controlling interests of US$34.3 million in the six months ended June 30, 2019, US$11.7 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became Shareholders of the Company, consisting of US$7.6 million and US$4.1 million relating to Compass's non-controlling interests and Bilting, respectively.

(8) We define EBITDA as profit before tax plus finance costs, depreciation and amortization, less interest income. For a reconciliation of profit before tax to EBITDA as we define, see "Financial Information—Non-IFRS Measures."

(9) For a reconciliation of EBITDA for the year/period to adjusted EBITDA as we define, see "Financial Information—Non-IFRS Measures."

Revenue

Our revenue increased by 41.7% from US$1,103.0 million in 2016 to US$1,563.4 million in 2017, and further increased by 71.5% to US$2,681.9 million in 2018. It increased by 7.1% from US$1,153.9 million for the six months ended June 30, 2018 to US$1,235.8 million for the same period in 2019. The increase of revenue in 2017 and 2018 was primarily due to the acquisition of SharkNinja. Had the acquisition taken place at the beginning of 2017, our revenue for the year from January 1, 2017 to December 31, 2017 would have been US$2,425.6 million.

The following table sets forth the breakdown of our revenue by brand for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Joyoung	1,103.0	100.0	1,086.8	69.5	1,201.4	44.8	582.5	50.5	564.0	45.6
Shark	—	—	327.0	20.9	1,092.4	40.7	436.7	37.8	449.6	36.4
Ninja	—	—	149.6	9.6	388.1	14.5	134.7	11.7	222.2	18.0
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Prior to the acquisition of SharkNinja in September 2017, we primarily derived our revenue from sales of kitchen appliances under the Joyoung brand. As a result of the acquisition of SharkNinja, we have additionally generated revenue from sales of cleaning appliances and kitchen appliances under the Shark and Ninja brands.

The following table sets forth the breakdown of our revenue by geography for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
China	1,081.0	98.0	1,065.8	68.2	1,189.7	44.4	577.2	50.0	563.0	45.5
North America	7.5	0.7	447.4	28.6	1,310.5	48.9	506.8	43.9	551.8	44.7
Europe	4.8	0.4	36.4	2.3	132.1	4.9	55.5	4.8	91.9	7.4
Other markets	9.7	0.9	13.8	0.9	49.6	1.8	14.4	1.3	29.1	2.4
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Prior to the acquisition of SharkNinja, substantially all of our revenue was generated in China. With the acquisition of SharkNinja, we expanded our global markets in North America, Europe and other markets such as Japan and Australia.

The following table sets forth the breakdown of our revenue by product category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Cleaning appliances	—	—	321.2	20.5	1,070.1	39.9	425.6	36.9	460.5	37.2
Food preparation appliances	456.0	41.3	580.6	37.1	785.0	29.3	358.2	31.0	347.4	28.1
Cooking appliances	547.7	49.7	539.1	34.5	677.0	25.2	289.1	25.1	359.1	29.1
Others	99.3	9.0	122.5	7.9	149.8	5.6	81.0	7.0	68.8	5.6
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Prior to the acquisition of SharkNinja, we primarily derived our revenue from sales of food preparation appliances and cooking appliances. As a result of that acquisition, we expanded our product category, and revenue generated from sales of cleaning appliances increased significantly from 2017 to 2018.

Gross Profit and Gross Margin

The following table sets forth our gross profit and gross margin by brand for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(in US$ millions, except percentages)						(unaudited)			
Joyoung	351.4	31.9%	349.9	32.2%	385.8	32.1%	188.5	32.4%	188.6	33.4%
Shark	—	—	121.1	37.1	460.4	42.2	186.7	42.8	187.4	41.7
Ninja	—	—	48.1	32.1	152.8	39.4	50.2	37.3	86.1	38.7
Total	**351.4**	**31.9%**	**519.1**	**33.2%**	**999.0**	**37.3%**	**425.4**	**36.9%**	**462.1**	**37.4%**

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net profit, EBITDA and adjusted EBITDA as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items that do not affect our ongoing operating performance, including expense arising from the acquisition of SharkNinja and the Reorganization, and non-recurring items and items not related to our ordinary course of business (each without considering tax effect). Such non-IFRS measures allow investors to consider matrices used by our management in evaluating our performance. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

The adjusted items for our non-IFRS measures can be categorized into two categories: (i) items arising from acquisition and relating to the Reorganization, and (ii) non-recurring items and items not related to our ordinary course of business. During the Track Record Period, we completed a major acquisition, the acquisition of SharkNinja. Prior to the completion of the Global Offering, we also underwent the Reorganization. Both the acquisition of SharkNinja and the Reorganization are considered by our management as one-off and non-recurring events by nature. In addition, we adjusted for certain items that are non-recurring in nature or may be considered recurring in nature but are not considered by us as normal in the ordinary course of our business nor indicative of our ongoing core operating performance, in order to provide the potential investors with a complete and fair understanding of our core operating results and financial performance, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance; and (ii) making comparisons with other comparable companies. For further details on our presentation and clarification of the non-IFRS measures, see "Financial Information—Non-IFRS Measures."

The following tables show our adjusted net profit, EBITDA and adjusted EBITDA for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ million)			(unaudited)	
Profit for the year/period	**122.4**	**140.9**	**112.1**	**20.6**	**21.9**
Add:					
Items arising from acquisition and relating to the Reorganization	***—***	***0.1***	***60.7***	***29.1***	***32.2***
Changes in carrying amount of financial liabilities associated with the put option	—	7.1	28.8	14.4	15.1
Transaction cost arising from the acquisition of SharkNinja	—	13.3	—	—	—
Amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja	—	6.0	30.9	14.6	14.5

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ million)			(unaudited)	
Revaluation of inventory arising from the acquisition of SharkNinja	—	29.1	—	—	—
Revaluation of the deferred taxes due to a change in US tax rate	—	(56.0)	—	—	—
Reorganization-related expenses including deferred financing cost	—	0.6	1.0	0.1	2.6
Non-recurring items and items not related to our ordinary course of business	***(20.5)***	***(1.4)***	***(21.7)***	***(12.4)***	***3.9***
Stock-based compensation	0.5	0.4	5.1	1.1	2.9
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(7.0)	(1.9)	(27.9)	(13.5)	—
Gain on fair value change from equity investments	(14.0)	0.1	1.1	—	(4.8)
Listing expenses	—	—	—	—	5.8
Adjusted net profit (unaudited)	**101.9**	**139.6**	**151.1**	**37.3**	**58.0**

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ million)			(unaudited)	
Profit before tax	**142.2**	**101.9**	**140.4**	**26.5**	**29.0**
Add:					
Finance cost	1.4	18.2	78.3	36.8	44.0
Depreciation	10.7	20.1	51.9	22.4	25.9
Amortization	3.0	9.6	35.6	16.8	18.3
Bank interest income	(1.8)	(1.5)	(2.2)	(0.6)	(1.9)
EBITDA (unaudited)	**155.5**	**148.3**	**304.0**	**101.9**	**115.3**
Add:					
Items arising from acquisition and relating to the Reorganization	***—***	***50.1***	***29.8***	***14.5***	***17.7***
Changes in carrying amount of financial liabilities associated with the put option	—	7.1	28.8	14.4	15.1
Transaction cost arising from the acquisition of SharkNinja	—	13.3	—	—	—
Revaluation of inventory arising from the acquisition of SharkNinja	—	29.1	—	—	—
Reorganization-related expenses including deferred financing cost	—	0.6	1.0	0.1	2.6
Non-recurring items and items not related to our ordinary course of business	***(20.5)***	***(1.4)***	***(21.7)***	***(12.4)***	***3.9***
Stock-based compensation	0.5	0.4	5.1	1.1	2.9
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(7.0)	(1.9)	(27.9)	(13.5)	—
Gain on fair value change from equity investments	(14.0)	0.1	1.1	—	(4.8)
Listing expenses	—	—	—	—	5.8
Adjusted EBITDA (unaudited)	**135.0**	**197.0**	**312.1**	**104.0**	**136.9**

We set out below our key considerations for adjusting certain items for our non-IFRS measures. For more details, see "Financial Information—Non-IFRS Measures."

I. Items arising from acquisition and relating to the Reorganization

(i) changes in carrying amount of financial liabilities associated with the put option

Such item is associated with the fair value change in the financial liabilities related to the Put Option granted by Compass, our Company's subsidiary, to its non-controlling shareholders. The Put Option was replaced by the Put Right upon the completion of the restructuring of Compass, and the Put Right will be automatically terminated upon completion of the Global Offering.

(ii) transaction cost arising from the acquisition of SharkNinja

Such item primarily includes legal and other professional service fees associated with execution and completion of the acquisition of SharkNinja.

(iii) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja

Amortization of intangible assets is related to costs of SharkNinja's retailer relationships and patents recognized under purchase accounting for the acquisition of SharkNinja. Amortization of deferred financing costs is related to upfront arrangement fees and other fees associated with the bank loans incurred and paid in September 2017 for the acquisition of SharkNinja.

(iv) revaluation of inventory arising from the acquisition of SharkNinja

Such item is caused by revaluation of SharkNinja's inventories from book value to fair value under purchase accounting method for the acquisition of SharkNinja.

(v) revaluation of the deferred taxes due to a change in US tax rate

Such item is caused by revaluation of the deferred tax liabilities of SharkNinja as a result of the decrease in the US tax rate from 35% to 21% effective from January 1, 2018, leading to a one-off tax credit.

(vi) reorganization-related expenses including deferred financing cost

Such item includes professional fees and other expenses incurred in the Reorganization and upfront fees and other fees associated with the bank loans incurred during the Reorganization.

We adjusted for the above items primarily because (i) the acquisition of SharkNinja and the Reorganization are out of our ordinary course of business, and the acquisition of SharkNinja and the Reorganization are one-off and non-recurring events by nature; and (ii) the above items are not indicative of our core operating performance, due to their non-business related nature and/or non-cash nature.

II. Non-recurring items and items not related to our ordinary course of business

Such adjustments include stock-based compensation arising from granting stock-based awards to select directors and employees, gain on disposal of property, plant and equipment, investment

property and subsidiaries, gain on fair value change from equity investments that reflect year-over-year changes in the fair value of the Group's equity holdings in other entities, and listing expenses. We adjusted for such items as they are either non-recurring or not indicative of our ongoing core operating performance. For more information on the adjustment in relation to the stock-based compensation, see "Financial Information—Non-IFRS Measures—(iv) stock-based compensation."

Summary Consolidated Balance Sheets

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Total non-current assets[1]	279.6	1,896.4	1,889.4	1,998.3
Total current assets	681.0	1,388.5	1,411.3	1,280.2
Total assets	**960.6**	**3,284.9**	**3,300.7**	**3,278.5**
Total non-current liabilities	7.0	2,026.0	1,557.0	1,704.9
Total current liabilities	308.0	661.1	1,280.7	1,128.7
Total liabilities	**315.0**	**2,687.1**	**2,837.7**	**2,833.6**
Net current assets	**373.0**	**727.4**	**130.6**	**151.5**
Net assets[2]	**645.6**	**597.8**	**463.0**	**444.9**
Owners' equity	105.1	99.2	69.0	618.5
Reserves / (deficits)	209.0	(83.4)	(172.7)	(412.8)
Non-controlling interests[3]	331.5	582.0	566.7	239.2
Total equity	**645.6**	**597.8**	**463.0**	**444.9**

(1) Among which goodwill amounted to nil, US$839.8 million, US$839.8 million and US$839.8 million and other intangible assets amounted to US$2.5 million, US$565.1 million, US$558.7 million and US$554.6 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively. We recorded goodwill of US$839.8 million and other intangible assets of US$564.0 million as a result of our acquisition of SharkNinja on September 29, 2017.

(2) Our net assets decreased from US$463.0 million as of December 31, 2018 to US$444.9 million as of June 30, 2019, primarily due to the declaration and payment of dividend in the amount of US$44.8 million in the first half of 2019 by a subsidiary to the non-controlling shareholders. Our net assets decreased from US$597.8 million as of December 31, 2017 to US$463.0 million as of December 31, 2018, primarily due to (i) the declaration and payment of dividend in the amount of US$173.6 million in 2018 by subsidiaries prior to the incorporation of our Company; and (ii) exchange losses on translation of foreign operations of US$37.1 million. Our net assets decreased from US$645.6 million as of December 31, 2016 to US$597.8 million as of December 31, 2017, primarily due to a reduction of consolidated reserve as of December 31, 2017 as a result of the financial liabilities associated with the put option arising from the acquisition of SharkNinja, which was partially offset by our comprehensive income and contribution from the non-controlling shareholders, as well as disposal to a non-controlling shareholder. Upon termination of the Put Right after the completion of the Global Offering, our financial liabilities associated with the Put Right, which balance was US$671.7 million as of June 30, 2019, will be derecognized, and therefore, our net assets are expected to increase.

(3) As of December 31, 2018, we had material non-controlling interests, primarily because as of December 31, 2018, we had not completed our Reorganization and part of the equity interest attributable to the parent of our Company upon the completion of the Reorganization on June 24, 2019 was still recognized as being held by non-controlling interests. As of December 31, 2018, 58.96% equity interest of Compass and 58.04% equity interest of Joyoung, respectively, was recognized as being held by non-controlling interests.

Summary Consolidated Cash Flows

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Net cash flows from operating activities	152.0	51.9	233.9	127.1	75.8
Net cash flows used in investing activities	(69.3)	(1,213.2)	(9.9)	9.0	(62.7)
Net cash flows from/(used in) financing activities	(121.1)	1,250.1	(260.8)	(113.6)	(42.2)
Net increase/(decrease) in cash and cash equivalents	**(38.4)**	**88.8**	**(36.8)**	**22.5**	**(29.1)**
Cash and cash equivalents at the beginning of the year/period	175.3	127.2	211.0	211.0	180.9
Effect of foreign exchange rate changes, net	(9.7)	(5.0)	6.7	(11.4)	0.7
Cash and cash equivalents at the end of the year/period	**127.2**	**211.0**	**180.9**	**222.1**	**152.5**

KEY FINANCIAL RATIOS

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Gross profit margin	31.9%	33.2%	37.3%	36.9%	37.4%
EBITDA margin[1]	14.1%	9.5%	11.3%	8.8%	9.3%
Adjusted EBITDA margin[2]	12.2%	12.6%	11.6%	9.0%	11.1%
Net profit margin	11.1%	9.0%	4.2%	1.8%	1.8%
Adjusted net profit margin[3]	9.2%	8.9%	5.6%	3.2%	4.7%

	As of and/or for the year ended December 31,			As of and/or for the six months ended June 30,
	2016	2017	2018	2019
Return on equity[4]	19.0%	23.6%	24.2%	N/A[5]
Gearing ratio[6]	0.01	2.13	2.70	2.07

(1) EBITDA margin equals EBITDA divided by revenue for the same year/period, multiplied by 100%.

(2) Adjusted EBITDA margin equals adjusted EBITDA divided by revenue for the same year/period, multiplied by 100%.

(3) For a reconciliation of profit for the year/period to adjusted net profit as we define this, see "Financial Information—Non-IFRS Measures."

(4) Return on equity ratio is calculated using net profit divided by total equity at the end of the year/period, multiplied by 100%.

(5) This semi-annual number is not meaningful as it is not comparable to the annual numbers.

(6) Gearing ratio is calculated using total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity at the end of the year/period.

GLOBAL OFFERING

The Global Offering comprises: (i) the Hong Kong Public Offering of 49,983,000 Offer Shares (subject to adjustment) in Hong Kong as described in "Structure of the Global Offering—The Hong Kong Public Offering;" and (ii) the International Offering of an aggregate of initially 449,847,000 Shares (subject to adjustment and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption, and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent approximately 15.0% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. See "Structure of the Global Offering."

US CUSTOMS DUTIES

We source our finished goods from OEM suppliers in China for our US sales, which are subject to US customs duties. As a result of the ongoing trade negotiations between China and the United States, our products imported from China to the US market have been subject to additional US customs duties as announced and implemented by the USTR and the President of the United States from time to time, with the details set forth below as of the date of this prospectus:

Product	Additional US customs duties being subject to	Effective period of implementing the additional US customs duties	Revenue contribution from the relevant products imported from China to the US market	
			In 2018	For the six months ended June 30, 2019
Vacuums and air fryers	10%	September 24, 2018 to May 9, 2019	31.8% of our Group's total revenue	25.6% of our Group's total revenue
	25%	from May 10, 2019		
	30% (not yet implemented)	Suspended		
Coffee makers	15%	From September 1, 2019	1.8% of our Group's total revenue	1.2% of our Group's total revenue
Other products imported from China to the US market	15% (not yet implemented)	Expected to be from December 15, 2019	13.0% of our Group's total revenue	15.7% of our Group's total revenue

Recently, an exclusion (the "Exclusion") on certain vacuum models from the additional US customs duties as set forth above was granted by the USTR in response to a request for an exclusion by a certain vacuum importer in the US. Exclusion requests are reviewed by the USTR on a case-by-case basis. We believe that certain of our vacuum models (the "Qualified Vacuums"), which meet the specified product description in the Exclusion, can also be excluded from the application of the relevant additional US customs duties. In addition, we believe that we are entitled to a refund for any duties paid for the Qualified Vacuums dating back to September 24, 2018. The Exclusion applies through August 7, 2020, and a process to request a renewal to the Exclusion will be provided when available. We will adopt the Exclusion on the Qualified Vacuums and apply for a refund of the duties paid.

In 2018 and the six months ended June 30, 2019, our customs duties expenses arising out of the additional US customs duties amounted to US$7.0 million and US$10.1 million, respectively. For illustrative purpose only, had the additional US customs duties of 25% been imposed since January 1, 2018, with other variables held constant, our customs duties expenses in 2018 would have increased by US$108.1 million for vacuums and air fryers. In addition, had the additional customs duties of 15% been imposed since January 1, 2018, with other variables held constant, our customs duties expenses in 2018 would have increased by US$32.2 million for coffee makers and other products expected to be subject to the additional US customs duties of 15%.

We have mitigated the impacts arising from the increased customs duties on our cost of sales by various measures, including (i) fully or partially passing on the increased cost to customers by increasing the selling price of certain products across our product portfolio in the US market, (ii)

renegotiating the purchase prices of finished products, components and raw materials with our suppliers, (iii) value engineering through utilizing less expensive components or designs that can satisfy products' long-term reliability and functions and (iv) potentially expanding our manufacturing resources to other countries.

Specifically, to mitigate the impacts of the imposition of additional customs duties, SharkNinja segment has partially passed on the increased cost to its customers after the imposition of the additional US customs duties. SharkNinja segment increased the selling price of certain products across its product portfolio in the US market in October 2018, January 2019 and July 2019, taking into consideration various factors including the sensitivity of various price points and the competition landscape within the relevant product categories. Given that the additional customs duties of 15% is not yet in full implementation, SharkNinja segment is monitoring the development and continuing to conduct analysis on the potential selling price increase for the products that are affected by the additional customs duties of 15%.

SharkNinja segment has also mitigated and plans to continue mitigating the impacts arising from the increased customs duties by renegotiating the purchase prices favorable to us with its OEM suppliers leveraging the general depreciation of Renminbi against US dollar, and by reducing the costs on selected products across its product portfolio through value engineering, including vacuums and air fryers that are already subject to, and products that are not yet affected by, the additional US customs duties.

In addition, although it takes time and effort to identify viable non-China suppliers that can manufacture our products at comparable prices and quality as our existing suppliers in China, as of the date of this prospectus, we do not foresee any impediment or major difficulty for SharkNinja segment to source outside of China. To further mitigate the impacts arising from increased US customs duties, SharkNinja segment has been actively exploring alternative sourcing opportunities outside of China, and expects to have some of its vacuums manufactured in Vietnam by the end of 2019.

Furthermore, we typically stock up certain amounts of inventory in line with our business operations and risk mitigation strategy, including preparing for each increase in the US customs duties as announced. In line with our accounting policies, inventories cost is determined on a first-in, first-out basis. Therefore, inventories stocked up prior to the imposition of applicable additional US customs duties helped to delay the impacts from the additional US customs duties on our financial performance. As a result, impacts from the additional US customs duties were minimal on our financial performance during the Track Record Period.

As a result of the various mitigation efforts as well as our contingency measure of stocking up inventory, we have been able to maintain relatively stable gross margins amid the increase in customs duties. For illustrative purpose only, for vacuums which constitute the biggest product line affected by the additional US customs duties, for the six months ended June 30, 2018 and 2019, gross margin of vacuums imported from China to the US market remained relatively stable at 43.5% and 41.9%, respectively. In addition, gross margins of our Group and SharkNinja segment also remained relatively stable before and after the imposition of the additional US customs duties. For the six months ended June 30, 2018 and 2019, the gross margin of our Group was 36.9% and 37.4%, respectively, while the gross margin of SharkNinja segment was 41.4% and 40.4%, respectively.

In response to the increased customs duties, we plan to and have endeavored to implement various measures to mitigate the negative impacts from increased US customs duties as discussed

above. Having considered the effectiveness of our mitigation measures to date, and the relatively stable gross margins as mentioned above, our Directors believe that we can sell the relevant products at a gross profit level taking into account the applicable maximum US customs duties as currently envisaged as of the date of this prospectus.

As of the date of this prospectus, we have not received any indication from our US customers that they may reduce their purchase volumes due to the imposition of the additional customs duties.

RECENT DEVELOPMENT

Our profitability in 2019 may be affected by, among other things, (i) decreases in other income and gains due to the non-recurrence in 2019 of disposals of property, plant or subsidiaries, which occurred in 2018 and contributed to our other income and gains in 2018; (ii) increased administrative expenses due to listing expenses and expenses in relation to share-based payments, which we expect to incur in 2019 pursuant to a newly approved RSU Plan launched before the Global Offering, and the remainder of which we expect to incur pursuant to the existing ESOP and management incentive plans; (iii) increased finance costs due to additional interest-bearing bank borrowings that we incurred in relation to the Reorganization; and (iv) increased US customs duties.

On October 15, 2019, iRobot Corporation ("iRobot") filed a lawsuit against SharkNinja in a Massachusetts federal court, alleging that two of SharkNinja's robotic vacuum models (the "Disputed Products") launched in September 2019 infringe six of iRobot's US patents. SharkNinja has defended and plans to continue defending itself and the Disputed Products vigorously. The dispute is at an early stage and the parties have not yet commenced discovery; moreover, litigation is subject to a range of inherent uncertainties and it is not possible to make predictions as to the outcome thereof. Subject to these considerations, based on an initial assessment using information available to it as of the date of this prospectus, the Company believes that this dispute will not cause a material adverse effect on SharkNinja's, or the Group's, operations and financial results. For details of this case, SharkNinja's responses and the related risks, see "Business—Compliance and Legal Proceedings" and "Risk Factors—Risks Relating to Our Business and Industry—We could be impacted by unfavorable results of legal and administrative proceedings."

On October 31, 2019, Joyoung announced its interim results for the three months ended September 30, 2019, in accordance with the applicable disclosure requirements for A-share listed companies, on the website of the Shenzhen Stock Exchange (www.szse.cn). For details about the financial information of Joyoung for the nine months ended September 30, 2019, see "Financial Information—Unaudited Interim Results of Joyoung Subsequent to the Track Record Period."

As of the date of this prospectus, to the best of our knowledge, except as disclosed in this prospectus, there has been no material change in the general economic and market conditions in China and the United States or the industry in which we operate that have materially and adversely affected our business, results of operations or financial condition since June 30, 2019.

OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 499,830,000 Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 3,332,198,177 Shares are issued and outstanding following the completion of the Global Offering.

	Based on the Offer Price of HK$5.20
Market capitalization[1]	HK$17,327.4 million
Unaudited pro forma adjusted net tangible liabilities per share[2]	HK$(2.23)

(1) The calculation of market capitalization is based on 3,332,198,177 Shares expected to be issued and outstanding following the Global Offering.

(2) The unaudited pro forma adjusted net tangible liabilities per share is arrived at after the adjustments referred to in "Appendix II—Unaudited Pro Forma Financial Information."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,372.8 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us, at the Offer Price of HK$5.20 per Offer Share. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 50% of the net proceeds, or approximately HK$1,186.4 million, is expected to be used to partially repay a term loan with a principal amount of US$470 million from a commercial bank for a dividend distribution. We declared a special dividend of US$464.0 million to our shareholders on a pro rata basis pursuant to a shareholders' agreement, which has been paid on October 16, 2019 and was funded by such term loan;
- approximately 20% of the net proceeds, or approximately HK$474.6 million, is expected to be used on the R&D of new products, and further integration and development of our supply chain;
- approximately 20% of the net proceeds, or approximately HK$474.6 million, is expected to be used for market development and expansion, and enhancing our global brand image and recognition; and
- approximately 10% of the net proceeds, or approximately HK$237.3 million, is expected to be used for working capital and general corporate purposes.

See "Future Plans and Use of Proceeds."

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law.

As of June 30, 2019, our Company had a net deficit of US$4.3 million on our Company's statement of financial position. Under Cayman Islands law, dividends may be paid only out of profits and share premium. As advised by our legal advisors on Cayman Islands law, Maples and Calder (Hong Kong) LLP, the existence of a net deficit does not necessarily restrict us from declaring and paying dividends to our Shareholders. Under Cayman Islands law, our Company may pay a dividend out of either our profits (realized or unrealized) or amounts standing to the credit of our share premium account, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

Historically, no dividend has been declared by our Company since incorporation. We declared a special dividend of US$464.0 million to our shareholders on a pro rata basis pursuant to a shareholders' agreement, US$276.5 million of which was declared to JS Holding. Such special dividend has been paid prior to the Global Offering and funded by a term loan borrowed from a commercial bank with a principal amount of US$470 million.

Currently we do not have a formal dividend policy or a fixed dividend distribution ratio. There is no assurance that dividends of any amount will be declared or distributed in any year.

See "Financial Information—Dividend Policy."

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of US$5.8 million. We expect to incur listing expenses of approximately US$28.9 million (equivalent to approximately HK$226.3 million, at the Offer Price of HK$5.20 per Offer Share and assuming the Over-allotment Option is not exercised), of which US$16.8 million will be recognized as administrative expenses and US$12.1 million will be charged against equity in the year ending December 31, 2019. We do not believe these expenses will have a material impact on our results of operations for 2019.

RISK FACTORS

We believe that there are risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to the countries in which we operate; and (iii) risks relating to the Global Offering. Our business may be materially and adversely affected by these risks, including the following:

- global markets for our products are highly competitive and subject to rapid technological changes, and we may be unable to compete effectively in relevant markets;
- if we fail to successfully manage frequent product introductions and transitions, we may not remain competitive or be able to stimulate customer demand;
- any trade or import protection policies may materially and adversely affect our business;
- our global operations are subject to various risks;
- maintaining the trusted brand image of our products is critical to our success, and any failure to do so could severely damage our reputation and brand, which would have a material adverse effect on our business, financial condition and results of operations;
- if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected;

- it may be difficult for investors to evaluate our business and our prospects due to the Group's limited operating history in its current form;
- we face risks related to sales through distributors, as we do not exercise complete control over the practice and manner of the ultimate retail sales by our distributors; and
- we recorded a significant amount of goodwill and other intangible assets following the acquisition of SharkNinja and our net profit could be adversely affected if we recognize impairment losses on such goodwill or other intangible assets.

See "Risk Factors."

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any one of them, in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on October 9, 2019 and effective on the Listing Date and as amended from time to time, a summary of which is set out in Appendix III
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bilting"	Bilting Developments Limited, a company incorporated under the laws of the BVI on October 19, 2004 with limited liability, and a wholly-owned subsidiary of Mr. Lee Puay Khng, an Independent Third Party before the Reorganization
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"BVI SPVs"	SPVs of the Controlling Shareholders Group, namely XNL, Jin Cheng, Fortune Spring, Tuo Ge, Yuan Jiu, Xi Yu and Jin Yu holding interests in JS Holding
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, consolidated or supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Comfort Home"	Comfort Home Limited, one of our Pre-IPO Investors, the details of which are set out in "History, Reorganization and Corporate Structure"
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	JS Global Lifestyle Company Limited (JS 环球生活有限公司), an exempted company incorporated in the Cayman Islands with limited liability on July 26, 2018 (formerly known as JY-Shark Company Limited from July 26, 2018 to March 24, 2019 and JS Lifestyle Global Company Limited from March 25, 2019 to March 26, 2019), and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance
"Compass"	Compass Cayman SPV, Ltd., an exempted company incorporated under the laws of the Cayman Islands on June 27, 2017, and a wholly-owned subsidiary of the Company after the Reorganization
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the Controlling Shareholders Group, BVI SPVs, Hezhou, Tong Zhou, JS Holding, STL and Sol SPC

"Controlling Shareholders Group"	a group of individuals collectively and indirectly holding 48.12% of equity interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), namely Mr. Wang Xuning, Mr. Zhu Hongtao, Mr. Zhu Zechun, Ms. Yang Ningning, Ms. Huang Shuling, Ms. Han Run, and Mr. Jiang Guangyong
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dinghui"	Dinghui Solar Energy (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on April 21, 2006 with limited liability
"Director(s)"	the directors of our Company
"Easy Appliance (Hong Kong)"	Easy Appliance Hong Kong Limited, a company incorporated under the laws of Hong Kong on November 6, 2018 with limited liability, and a wholly-owned subsidiary of the Company after the Reorganization
"Easy Home"	Easy Home Limited, the details of which are set out in "History, Reorganization and Corporate Structure"
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), adopted by the National People's Congress of the PRC on March 16, 2007 and became effective on January 1, 2008
"Euro-Pro Group"	Euro-Pro HoldCo, LLC and its subsidiaries
"FIE"	foreign invested enterprise
"Fortune Spring"	Fortune Spring Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Mr. Zhu Zechun, and one of our Controlling Shareholders
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report prepared by Frost & Sullivan as commissioned by us

"GA1"	Global Appliance 1 Limited, an exempted company incorporated under the laws of Cayman Islands on July 4, 2017, and a wholly-owned subsidiary of the Company after the Reorganization
"GA2"	Global Appliance 2 Limited, an exempted company incorporated under the laws of Cayman Islands on July 4, 2017, and a wholly-owned subsidiary of GA1
"GBP"	Great British pound, the lawful currency for the timing being of the United Kingdom
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gong Ji"	Gong Ji Company Limited, a company incorporated under the laws of BVI on June 28, 2018, and merged with Tong Zhou on May 2, 2019 with Tong Zhou being the surviving company
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO WHITE** Form Service Provider, designated by our Company
"Group," "our Group," "we" or "us"	our Company, our subsidiaries, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Hezhou"	Hezhou Company Limited, an exempted company incorporated under the laws of the Cayman Islands on July 18, 2018 and wholly owned by Xuning Company Limited, which is in turn wholly owned by Mr. Wang Xuning, and one of our Controlling Shareholders
"HK eIPO White Form"	the application for the Hong Kong Offer Shares to be issued in applicant's own name by submitting applications online through the IPO App or the designated website at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	The HK eIPO White Form service provider designated by our Company, as specified in the IPO App or on the designated website at **www.hkeipo.hk**
"HK$," "Hong Kong dollar(s)"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Offer Share(s)"	the 49,983,000 Shares initially offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering, subject to adjustment as described in "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms. See "Structure of the Global Offering"
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated on or around December 6, 2019, relating to the Hong Kong Public Offering, entered into by, among others, our Company, JS Holding, Mr. Wang Xuning, the Joint Global Coordinators and the Hong Kong Underwriters. See "Underwriting—Hong Kong Public Offering"
"Implementation Regulations of EIT Law"	the Regulations of the People's Republic of China on the Implementation of the Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007 and implemented from January 1, 2008
"Independent Third Party(ies)"	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"International Offer Share(s)"	the 449,847,000 Shares initially offered by our Company for subscription at the Offer Price under the International Offering (subject to adjustment as described in "Structure of the Global Offering") together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S.

	Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 12, 2019 by, among others, the Company and the International Underwriters in respect of the International Offering. See "Underwriting—Underwriting Arrangements and Expenses—International Offering"
"IPO App"	the mobile application for HK eIPO White Form service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
"Jin Cheng"	Jin Cheng Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Mr. Zhu Hongtao, and one of our Controlling Shareholders
"Jin Yu"	Jin Yu Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Mr. Jiang Guangyong, and one of our Controlling Shareholders
"Jiuyang Bean"	Hangzhou Jiuyang Bean Industry Limited (杭州九陽豆業有限公司), a company incorporated under the laws of the PRC on November 18, 2008 with limited liability, and an associate of our Controlling Shareholders Group
"Joint Bookrunners"	Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to International Offering only), ICBC International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and CCB International Capital Limited
"Joint Global Coordinators"	Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited, ICBC International Capital Limited and China International Capital Corporation Hong Kong Securities Limited

"Joint Lead Managers"	Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to International Offering only), ICBC International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, China Merchants Securities (HK) Co., Limited and CCB International Capital Limited
"Joint Sponsors"	Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited and ICBC International Capital Limited
"Joyoung"	Joyoung Co., Ltd. (九陽股份有限公司), a company incorporated in the PRC on July 8, 2002, whose A shares have been listed on the Shenzhen Stock Exchange since April 28, 2008 under the stock code 002242, and a subsidiary of the Company directly held as to 50.11% by Shanghai Lihong and 16.93% by Bilting as of the Latest Practicable Date
"Joyoung Household Appliances"	Hangzhou Joyoung Household Electric Appliances Limited (杭州九陽小家電有限公司), a company incorporated in the PRC on September 5, 2007 with limited liability, and one of our subsidiaries
"Joyoung Life Electric"	Hangzhou Joyoung Life Electric Co., Ltd. (杭州九陽生活電器有限公司), a company incorporated in the PRC on November 24, 2010 with limited liability, and one of our subsidiaries
"JS Holding"	JS Holding Limited Partnership, an exempted limited partnership registered under the laws of Cayman Islands on July 18, 2018 (formerly known as Hezhou Limited Partnership from July 18, 2018 to September 2, 2019), with Hezhou being its general partner and Tong Zhou being its limited partner, and one of our Controlling Shareholders
"JY-SN"	JY-SN Company Limited, a company incorporated in the BVI on April 16, 2018 and a wholly-owned subsidiary of the Company
"Latest Practicable Date"	November 29, 2019 being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange

"Listing Date"	the date, expected to be on or about December 18, 2019, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Lock-up Period"	a period commencing on the Listing Date and ending on the six months after the Listing Date
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on December 18, 2019 and effective on the Listing Date and as amended from time to time
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MB Investor"	BMS Ventures LLC, a company incorporated under the laws of Delaware on April 8, 2019 which is wholly owned by Mr. Mark Adam Barrocas, the Global President of our Company
"MB Trust Investor"	Barrocas Family 2017 Children's Trust, a trust established under the laws of the Commonwealth of Massachusetts dated May 11, 2017 for the benefits of spouse and descendants of Mr. Mark Adam Barrocas
"MR Investor"	Casa Brima LLC, a company incorporated under the laws of Delaware on April 8, 2019 which is wholly owned by Mr. Mark Rosenzweig, a director of Compass
"MR Trust Investor"	The SMCSB 2018 Trust, a trust established under the laws of Delaware dated January 3, 2018 for the benefits of children of Mr. Mark Rosenzweig
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"North America"	the United States and Canada for the purpose of this prospectus
"Offer Price"	the price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Offer Shares are to be subscribed for and offered pursuant to the Global Offering

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
"Over-Allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 74,974,500 additional Shares at the Offer Price, representing approximately 15.0% of the initial size of the Global Offering, to cover, among other things, over allocations in the International Offering as described in "Structure of the Global Offering"
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018
"PR2 LLC"	a company incorporated under the laws of Delaware which is wholly owned by Mr. Neil Shah, an Independent Third Party
"PRC Legal Advisor(s)"	Grandall Law Firm (Shanghai), the PRC legal advisor to our Company
"QFIIs"	qualified foreign institutional investors licensed by the CSRC to invest in RMB-denominated shares listed on China's domestic securities exchanges
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing. See "History, Reorganization and Corporate Structure—Reorganization"
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"RSU Holding Entities"	the two Shareholders holding the Shares issued on October 25, 2019 pursuant to the RSU Plan on trust, which are wholly-owned by the trustee of the RSU Plan, namely

	Golden Tide International Limited and Grand Riches Ventures Limited, a limited liability company incorporated under the laws of the British Virgin Islands on May 22, 2019 and August 20, 2019, respectively
"RSU Plan"	the plan adopted by our Company on October 9, 2019, as amended or otherwise modified from time to time, to grant restricted stock units to the incentive targets, which shall survive after Listing. See "Appendix IV—Statutory and General Information—D. RSU Plan"
"RSU Shares"	the 141,618,409 Shares issued and allotted to the RSU Holding Entities on October 25, 2019 pursuant to the RSU Plan
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the China governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAMR" or "State Administration for Market Regulation"	State Administration for Market Regulation (國家市場監督管理總局), established in 2018 by consolidating the duties and functions of various departments of the State Council, including but not limited to the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Shandong Joyoung"	Shandong Joyoung Small Appliance Limited (山東九陽小家電有限公司), a company incorporated in the PRC on July 8, 2002 with limited liability, and the predecessor of Joyoung
"Shanghai Lihong"	Shanghai Lihong Enterprise Management Limited (上海力鴻企業管理有限公司), a company incorporated in the PRC on February 14, 2003, and a subsidiary of the Company

"Share(s)"	ordinary share(s) of US$0.00001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen SharkNinja"	Shenzhen SharkNinja Technology Co., Ltd (深圳尚科寧家科技有限公司), a wholly-owned subsidiary of our Group incorporated under the laws of the PRC, and a party to one of our non-exempt continuing connected transactions, the details of which are set out in the section headed "Connected Transactions"
"SN Investors"	A Group of investors comprising MB Investor, MR Investor, MB Trust Investor, MR Trust Investor, PR2 LLC, and SN Aggregator LLC
"Sol SPC"	Sol Omnibus SPC, a segregated portfolio company incorporated under the laws of Cayman Islands on March 14, 2019 which is owned by STL as to 100% of its management shares with voting power, and owned by Mr. Lee Puay Khng and STL as to its 368,304.24536 class A participating shares and one class B participating share, respectively, and one of our Controlling Shareholders
"Stabilizing Manager"	Credit Suisse (Hong Kong) Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"STL"	Sol Target Limited, a company incorporated under the laws of British Virgin Islands on March 26, 2019, and wholly owned by XNL, and one of our Controlling Shareholders
"Stock Borrowing Agreement"	the agreement expected to be entered into on or about December 12, 2019 between JS Holding as lender and Credit Suisse (Hong Kong) Limited as borrower, pursuant to which JS Holding shall, upon request, make available to Credit Suisse (Hong Kong) Limited up to 74,974,500 Shares to cover, inter alia, over-allocation in the International Offering
"Stock Exchange" or "Hong Kong Stock Exchange "	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Sunshine Rise"	Sunshine Rise Company Limited, a company incorporated in Hong Kong on April 26, 2018, and a subsidiary of the Company

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended and supplemented from time to time
"Tong Zhou"	Tong Zhou Company Limited, a company incorporated under the laws of BVI on June 28, 2018 and being the surviving company of the merger with Gong Ji on May 2, 2019, beneficially wholly owned by our Controlling Shareholders Group, and one of our Controlling Shareholders
"Track Record Period"	the three years ended December 31, 2018 and the six months ended June 30, 2019
"Tuo Ge"	Tuo Ge Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Ms. Yang Ningning, and one of our Controlling Shareholders
"U.S.," "US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"USTR"	Office of the U.S. Trade Representative
"WHITE Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"Xiang Hong"	Xiang Hong Company Limited, a company incorporated under the laws of BVI on July 4, 2017, and a wholly-owned subsidiary of the Company after the Reorganization
"Xi Yu"	Xi Yu Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Ms. Han Run, and one of our Controlling Shareholders
"XNL"	Xuning Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Mr. Wang Xuning, and one of our Controlling Shareholders

"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yuan Jiu"	Yuan Jiu Company Limited, a company incorporated under the laws of BVI on April 16, 2018 and wholly owned by Ms. Huang Shuling, and one of our Controlling Shareholders
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC, PRC laws or regulations, and the PRC governmental authorities and their English translations, the Chinese names shall prevail.

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"CCC"	the China Compulsory Certification (中國強制性產品認證), a certification required for the sale of products on the list of Catalog of Products subject to the China Compulsory Certification (中國強制性認證產品目錄)
"CE"	CE mark, a mandatory marking on certain products which is required if they are placed on the market in the European Economic Area (EEA), to indicate conformity with the essential health and safety requirements set out in all applicable Directives issued by the European Union. By affixing the CE mark, a manufacturer, or its representative, or the importer assures that a product meets all the essential requirements of all applicable Directives issued by the European Union
"C-TICK"	the C-Tick mark, a marking for products that comply with Electromagnetic compatibility (EMC) standards. Compliance with the Australian EMC regulations is mandatory and EMC standards apply to almost all electronic products supplied to the Australian market. The C-Tick mark indicates that the product complies with the applicable EMC standard and establishes a traceable link between a product and the supplier responsible for placing it on the Australian market
"Double Eleven"	the annual online shopping promotion event in China on November 11
"IEC"	International Electrotechnical Commission which is recognized by the World Trade Organization and entrusted by it for monitoring the national and regional organizations agreeing to use the IEC's international standards and conformity assessment for all electrical, electronic and related technologies
"international markets"	we define our international markets as markets outside China and the United States
"IH"	induction heating, the process of heating an electrically conducting object by electromagnetic induction, through heat generated in the object by eddy currents
"IoT"	internet-of-things, the network of physical devices with information-sensing capabilities such as two-dimensional

	code reading, radio frequency identification (RFID), infrared sensors, global positioning systems and laser scanners to realize intelligent identification, positioning, tracking, monitoring and management
"IP"	intellectual property
"ISO9001"	an internationally recognized standard for a quality management system. It aims at the effectiveness of the quality management system in meeting consumer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"KOL"	key opinion leader, a person or organization who has expert product knowledge and influence in a particular field, who is trusted by relevant interest groups and has significant effects on consumer behavior
"KTL"	the Korea Testing Laboratory, a leading testing and certification body in Korea established for the purpose of improving technology and global competitiveness of industries
"New Product"	reference to the New Product in 2018 refers to the SKUs (stock keeping unit) newly introduced in 2018. We use SKU, a unique code for each product, to identify and track inventories
"QB/T 4404-2012"	Light Industry Standard of the PRC (中國輕工行業標準) issued by Ministry of Industry and Information Technology of the PRC （中華人民共和國工業和信息化部）in relation to cooking range
"S-Mark"	a voluntary certification which certifies that the products fulfill valid European electrical safety requirements concerning fire, electric shock, mechanical injuries, radiation injuries and burns and certain types of environmental damage

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business operations and prospects;
- changes to the legal regulatory and operating conditions in the industry and markets in which we operate;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC, the United States and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the following risk factors before making any investment decision in relation to the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to the countries in which we operate; and (iii) risks relating to the Global Offering. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Global markets for our products are highly competitive and subject to rapid technological changes, and we may be unable to compete effectively in relevant markets.

Our products compete in highly competitive global markets characterized by intense price competition, frequent introduction of new products, short product life cycles, rapid adoption of technological and product advancements by competitors, price sensitivity and the individual preferences of consumers.

Our ability to compete successfully depends heavily on our ability to continue to introduce innovative new or enhanced products and technologies in a timely manner and shape the market. Our capability to introduce new or enhanced products and technologies in turn depends on a number of factors, including our timely and successful research and development efforts. The research and development efforts involve various risks and may not yield the benefits to the extent we expect, or at all.

We face substantial competition from companies that have significant technical, marketing, distribution and other resources, as well as established supplier relationships. Additionally, our competitors may compete with us using lower selling prices or in collaboration with other alliances to offer solutions that are more competitive. Some of our competitors have greater experience, brand recognition, product breadth and distribution channels than us. Our competition is increasing as the technology and markets mature. Current competitors and new entrants may seek to develop new product offerings, technologies or capabilities that could render many of the products that we offer obsolete or less competitive. In addition, our competitors may in some cases be effective in causing our current and potential retailers to favor their products or prevent or reduce sales of ours. The occurrence of any of these circumstances may hinder our growth and our ability to compete and reduce our market share. On the other hand, the markets of certain of our products are relatively saturated. We may not grow as fast as we used to, or we expected to, which could materially and adversely affect our business, results of operations, financial condition and prospects.

If we fail to successfully manage frequent product introductions and transitions, we may not remain competitive or be able to stimulate customer demand.

Due to the highly competitive nature of the industries in which we compete, we must continually introduce new products and technologies, improve existing products, effectively stimulate customer demand for new and upgraded products, and successfully manage the transition to these new and upgraded products. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product production ramp-up issues, the availability of software and technology for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction. Accordingly, we cannot determine in advance the ultimate effect of new product introductions and transitions. In addition, rapid technological development and advancements may render our products with the common functionalities that are generally available to consumers today outdated or obsolete, and emerging products may be substituted for them. In such event, we cannot assure you that we will be able to develop, introduce and commercialize new forms of products and technologies to the market in a timely manner, or at all, that would allow us to maintain or strengthen our leadership position in our industry. Failure to do so, or failure to generally stay abreast of the latest technological evolutions, could materially and adversely impact our business operations, prospects and financial performance. If we are unable to continue to develop and offer innovative new products, or if we are slower than our competitors, or our competitors infringe our intellectual property, our ability to maintain a competitive advantage could be adversely affected.

We may from time to time launch new product categories, which may subject us to additional risks and challenges. Our lack of experience with new product categories and lack of relevant customer data relating to these products may make it more difficult for us to anticipate customer demand and preferences. We may misjudge customer demand, resulting in excessive inventories and possible inventory write-down. It may also be more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new products, receive more customer complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation as well as our financial performance. Furthermore, we may not have much purchasing power in new categories of products and we may not be able to negotiate favorable terms with suppliers. We may need to price aggressively to gain market share or remain competitive in new categories. It may be difficult for us to achieve profitability in the new product categories and our profit margin, if any, may be lower than we anticipate, which would adversely affect our overall profitability and results of operations. We cannot assure you that we will be able to recoup our investments in introducing these new product categories.

Any trade or import protection policies may materially and adversely affect our business.

During the Track Record Period, the majority of our sales were generated from China and the United States. We source our finished goods from OEM suppliers in China for our US sales, which are subject to US customs duties. The increased tension and ongoing negotiations between China and the United States have added to the customs duties imposed so far and may adversely affect our business, financial condition and results of operations. For example, recently the United States has introduced a number of additional customs duties at different rates on various goods imported from China, including

those small household appliances imported by us from China to the US market. In 2018 and the six months ended June 30, 2019, our customs duties expense arising out of the additional US customs duties amounted to US$7.0 million and US$10.1 million, respectively. The trade tension between China and the United States remains and it is uncertain whether any further action will be taken. In light of a recent Exclusion on certain vacuum models granted by the USTR, we believe that our Qualified Vacuums, which meet the specified product description in the Exclusion, can also enjoy the benefits of the Exclusion. We will adopt the Exclusion on the Qualified Vacuums and apply for a refund of the duties paid. The scope of the Qualified Vacuums is subject to the determination of the US Customs in consultation with the USTR. If the US Customs disagrees with the scope of the Qualified Vacuums and determines that we acted not reasonably in applying the Exclusion, we may be subject to potential penalties. For information on the additional US customs duties imposed on our products and the corresponding effective period as well as other details of the impacts, see "Summary—US Customs Duties."

We have mitigated and plan to continue mitigating the impacts arising from the increased customs duties on our cost of sales by various measures. However, these mitigation measures may involve additional costs, diversion of resources and management attention as well as external economic conditions, such as foreign exchange rates. For example, our success in renegotiating the purchase prices favorable to us with our OEM suppliers have leveraged the general depreciation of the Renminbi against the US dollar. If the depreciation ceases or reduces, we may not be able to reduce our purchase prices as we currently do.

In addition, even if we were able to fully or partially pass on the increased cost to our customers by increasing the selling price of certain products, due to market competition or factors beyond our control, such as a general market slowdown, we may experience a reduction of sales orders and our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, we have been actively exploring alternative sourcing opportunities outside of China and expect to have some of our vacuums manufactured in Vietnam by the end of 2019. While expanding our manufacturing resources outside of China, we may experience new risks and challenges and may incur additional costs and efforts to identify viable non-China suppliers that can manufacture our products at comparable prices and quality as our existing suppliers in China.

We have managed to maintain relatively stable gross profit margins relying on our various mitigation measures. Our gross profit is affected by various factors; for example, if we fail to implement our mitigation measures to the extent we anticipate, our financial performance may be adversely affected by the additional US customs duties.

In addition to China and the United States, we sell our products to a large number of other countries and derive considerable sales from exporting to them. In the event that any of these countries impose trade sanctions on China and/or the United States, or enforce import restrictions or customs duties in relation to our products, our business and operations may be adversely affected. In the event that the Chinese government and/or the U.S. government impose customs duties, trade restrictions or other trade barriers affecting the importation of such finished products, components or raw materials, we may be unable to obtain a steady supply of the necessary finished products, components or raw materials at competitive prices, and our business and operations may be materially and adversely affected. In addition, major political issues such as the United Kingdom's withdrawal from the European Union may also add to turbulence in international trade which may in turn affect our business.

Our global operations are subject to various risks.

We primarily operate in China and the United States, but have been actively expanding our international markets. We may have to adapt our business models to local markets due to various legal requirements and market conditions. Our international operations and expansion efforts have resulted, and may continue to result, in increased costs, and are subject to a variety of risks, including increased competition, uncertain enforcement of our intellectual property rights, more complex distribution logistics, and the complexity of compliance with foreign laws and regulations. Compliance with applicable Chinese, US and foreign laws and regulations, such as import and export requirements, anti-corruption laws, tax laws, foreign exchange controls and cash repatriation restrictions, data privacy requirements, environmental laws, labor laws, restrictions on foreign investment, and anti-competition regulations, increases the costs and risk exposure of doing business in foreign jurisdictions.

We also could be significantly affected by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, tariffs, taxes and other costs and political instability. Margins on sales of our products in foreign countries, and on sales of products that include components obtained from foreign suppliers, could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. We are also exposed to credit risk on our trade receivables with customers. There can be no assurance that we can effectively limit our credit risk and avoid losses.

Maintaining the trusted brand image of our products is critical to our success, and any failure to do so could severely damage our reputation and brand, which would have a material adverse effect on our business, financial condition and results of operations.

Our products enjoy strong brand names and reputation globally, especially in China and the United States. Since our inception, we built our world-renowned brand names leveraging our core competencies. Any loss of trust in our products could harm the value of our brands, which could materially reduce our revenue and profitability. Our ability to maintain our position as a trusted brand for small household appliances depends on various factors, such as our continued offering of quality and well-designed products to our customers, as well as increasing brand awareness through marketing and brand promotion activities.

Brand image is particularly important to us, as our products are used daily in the everyday lives of consumers. Any public perception that our products are defective or otherwise unsatisfactory, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers or retain our current customers. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our products, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has grown and is expected to continue growing, so is our business network and number of employees. In addition, as we expand our product profile and geographic markets, we will need to work with a larger number of suppliers and partners efficiently and maintain and expand mutually-beneficial relationships with our existing and new suppliers and partners. We also need to

continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and distributor management, refine our reporting systems and procedures, and expand, train and manage our growing employee base. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

It may be difficult for investors to evaluate our business and our prospects due to the Group's limited operating history in its current form.

We completed the acquisition of SharkNinja in September 2017 and have a limited history of operating on a consolidated basis. The audited financial information included in this prospectus includes financial information for the Group in its current state only from the date of the acquisition of SharkNinja on September 29, 2017 through June 30, 2019. In particular, the year-on-year analysis on our financial performance may not be presented on a directly comparable basis. As a result of the limited track record of the Group in its current state, it may be difficult for you to evaluate our consolidated business, results of operations and prospects.

We recorded non-recurring other income and gains during the Track Record Period.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we recorded other income and gains of US$41.1 million, US$22.9 million, US$44.5 million and US$12.3 million, respectively, a considerable portion of which may not reoccur, such as the disposal of land and properties. For a breakdown of our other income and gains during the Track Record Period, see "Financial Information—Description of Major Components of Consolidated Income Statement—Other Income and Gains" and note 6 to the Accountants' Report in Appendix I to this prospectus. Certain non-recurring or non-operational items under other income and gains have been adjusted for under the non-IFRS measures to eliminate potential impacts that do not affect our ongoing core operational performance. You are advised to exercise caution when considering the effects of other income and gains on our financial performance as they may not reoccur.

We will record net tangible liabilities upon the completion of the Global Offering.

As of June 30, 2019, we had consolidated net tangible liabilities attributable to Shareholders of our Company of US$1,252.8 million, and expect to continue to have consolidated net tangible liabilities upon the completion of the Global Offering, which is primarily attributable to the financial liabilities associated with the Put Option and our substantial borrowings during the Track Record Period. For risks related to our borrowings, see "—Our financing arrangements will subject us to various restrictions, any default or breach of which could result in the loss of our business interest." Having consolidated net tangible liabilities does not necessarily restrict us from declaring and paying dividends to our Shareholders, provided that we have sufficient profits or share premium and are able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is paid. However, we may not declare dividends as often or for as much as potential investors may expect, or at all.

We face risks related to sales through distributors, as we do not exercise complete control over the practice and manner of the ultimate retail sales by our distributors.

We have entered into agreements with our distributors to help market and sell our products. We do not, however, exercise complete control over the practice and manner of the ultimate retail sales by our distributors, their sub-distributors or the retail outlets which they operate. Engagement of distributors may effectively increase our product sales, but we would expect a corresponding lower gross margin, since such distributors typically buy products from us at a discount to end user prices. For us to effectively work with a distributor, the distributor must agree to market and/or sell our products and we must provide proper economic incentives to the distributor, as well as contend effectively for the time, energy and focus of such distributor given the other products the distributor may be carrying, which potentially includes those of our competitors. If we fail to be effective with new or existing distributors, our financial performance may suffer. Poor management by, or loss of further resell network of, the distributors may cause loss of our customers and damage to our brands. Our distributors may also face financial difficulties, including loss of market share, insolvency or strikes or other work stoppages, which could harm our collection of accounts receivables and financial results.

We rely principally on OEM suppliers and suppliers of components and raw materials for in-house production.

Our operation is highly dependent on our relationships with OEM suppliers and suppliers of components and raw materials for in-house production. During the Track Record Period, we primarily rely on purchase of finished products from our OEM suppliers, and to a lesser extent, rely on purchase of raw materials and components for in-house production. In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our cost of finished products accounted for 83.2%, 89.6%, 90.4%, 92.8% and 90.2%, while our raw materials and components accounted for 15.7%, 7.4%, 3.9%, 2.0% and 3.2%, of our total cost of sales for the same periods, respectively. In 2016, 2017, 2018 and the six months ended June 30, 2019, purchases from our five largest suppliers accounted for 38.3%, 35.7%, 40.5% and 37.7%, of our total purchase amounts during those periods, respectively.

We do not have direct control over our suppliers, and may thus experience operational difficulties due to their reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, increases in costs and longer lead time, and their liquidity or solvency. In addition, any loss or deterioration of our relationship with major suppliers, the sale of products by suppliers directly to our customers or our competitors, our failure to renegotiate the purchase prices with our suppliers, or to establish relationships with new suppliers would adversely affect our business, financial position and operating results.

Our new products may utilize customized components available from limited sources. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. Continued availability of these components or products at acceptable prices, or at all, may be affected for various reasons, including if those suppliers decide to concentrate on the production of common components and products instead of components and products customized to meet our requirements.

In addition, for our US operation, we do not typically have formal contractual agreements with our OEM suppliers. We make substantially all of our purchases from OEM suppliers on a purchase

order basis. Any significant change in our relationships with these OEM suppliers could have a material adverse effect on our business, operating results and financial condition.

We could be impacted by unfavorable results of legal and administrative proceedings.

We are subject to various legal, administrative proceedings and claims that have arisen in the ordinary course of business, and new claims may arise in the future. In addition, agreements entered into by us sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party.

In particular, we have been, and may continue to be, subject to various intellectual property claims relating to technologies or intellectual property used in our products, alleging that we have infringed, misappropriated or otherwise violated the intellectual property rights of others. Such claims may be initiated by a demand letter, a lawsuit or an injunction. Patent and trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, can be complex and time-consuming and could result in substantial costs and harm to our reputation. Moreover, the legal threshold for initiating such claims and proceedings is low, especially in the United States, therefore even claims with a low probability of success could be initiated and require significant resources and attention to defend. Intellectual property litigation or disputes could force us to do one or more of the following: (i) cease developing, manufacturing or selling products that incorporate the challenged intellectual property; (ii) obtain and pay for licenses from the holder of the infringed intellectual property right, which licenses may not be available on reasonable terms, or at all; (iii) redesign or reengineer products; and (iv) pay substantial damages, court costs and attorneys' fees, including potentially increased damages for any infringement or violation found to be willful.

In addition, we have also been, and may continue to be, subject to various claims of false advertising. We may not be able to, in a timely manner, identify and remove all content in dispute during our marketing activities, and cannot assure you that such false advertising claims will not occur.

Regardless of the merit of particular claims, legal and administrative proceedings, such as litigation, injunctions and governmental investigations, may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may from time to time enter into settlement arrangements to settle litigation and resolve such disputes which may be confidential and the details, including at times even the existence of the settlement agreement, not disclosed due to confidentiality obligations. No assurance can be given that such arrangements can be obtained on acceptable terms or that litigation will not occur. These arrangements may also significantly increase our operating expenses.

The legal or administrative proceedings and claims in which we may be involved may subject us to inherent uncertainties. If one or more legal or administrative matters are resolved against us or an indemnified third party for amounts or scope beyond the coverage of our insurance or available indemnity, or if certain injunctions are granted to prevent us from using certain technologies in our products, our business and financial condition could be materially and adversely affected. Further, such an outcome could result in significant compensatory, punitive or treble monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our business, financial condition and operating results. For further details regarding our legal proceedings, see "Business—Compliance and Legal Proceedings."

We may be subject to product liability claims for compensation from time to time. Any failure in our quality control systems could harm our business and lead to such claims if our products are found to be defective.

We manufacture products mainly through our OEM suppliers and, to a lesser extent, at our in-house production facilities. We are committed to maintaining the highest level of quality in our products and we therefore implement quality control measures suiting different scenarios with professional team members. For details of our testing and other quality control measures, see "Business—Procurement and Production—Quality Control and Product Safety." Despite our efforts, there could be instances in which our products do not meet the specifications and requirements agreed upon with or requested by our customers, or our products could be found to be defective, or result in our customers suffering losses. Defects may also occur in components and products we purchase from third parties or which are assembled by our OEM suppliers. There can be no assurance that we will be able to detect and fix all defects in the products and components we offer. Failure to do so could result in disputes and related legal proceedings, and may adversely affect our results of operations or harm our reputation.

If a consumer, user or bystander gets injured by a product that is defective or unreasonably dangerous, the manufacturer or anyone else in the supply chain can be held responsible for that injury. As a result, we have been, and will continue to be, subject to various personal injury, product liability and property damage claims and disputes arising out of our products. Although we may have legal recourse against the parts and component suppliers and OEM suppliers of such products, attempting to enforce our rights against the suppliers and manufacturers may be expensive, time-consuming and ultimately futile. We maintain insurance that provides coverage for personal injury, product liability, and property damage claims. However, such insurance coverage might be insufficient to fully cover all damages sought and the claim process might be prolonged. See "Business—Insurance." As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them, and could have a negative impact on our brand and reputation.

We, especially our operations under SharkNinja, have been, and may continue to be, subject to product liability claims from time to time, which may come in the form of class actions. During the Track Record Period, SharkNinja was subject to certain product liability claims which it generally settled. After the acquisition of SharkNinja and up to the Latest Practicable Date, SharkNinja settled 34 product liability claims. The aggregate settlement amount paid for SharkNinja's product liability claims amounted to US$1.8 million, among which US$1.1 million was paid by SharkNinja and US$0.7 million was paid by SharkNinja's insurers. We do not consider these product liability claims, individually or in the aggregate, material to our business or financial results.

Our financing arrangements will subject us to various restrictions, any default or breach of which could result in the loss of our business interest.

As of October 31, 2019, we had outstanding bank borrowings of US$1,365.1 million, primarily related to the financing for our acquisition of SharkNinja and the Reorganization. We may continue to have material indebtedness. Our indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our indebtedness, obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;
- restricting or impeding our ability to access capital markets at attractive rates and increasing the cost of future borrowings;
- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;
- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;
- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and
- increasing our vulnerability to downturns in general economic, or industry conditions, or in our business.

Furthermore, the terms of our indebtedness contain affirmative and negative covenants that, among other things, limit or restrict our abilities to declare or pay dividends, conduct acquisitions, create liens and encumbrances, incur additional debt, merge, dissolve, liquidate or consolidate, dispose of or transfer assets. In addition, we are required to comply with various financial covenants. Monetary awards in litigations against us exceeding certain limit and not being indemnified or covered by insurance may trigger event of default in our financing documents.

Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed. A breach of any of these covenants or restrictions could result in a default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this prospectus. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material adverse effect on our business, financial condition, results of operations and prospects.

The equity interests of our certain major operating entities are pledged under the loan arrangements for the benefit of the lenders. If these loan arrangements were in default or breached, the affected lenders would be entitled, among other remedies, to seize the corresponding pledged shares to cover any shortfalls in amounts due under the loans. We may thus lose control of our revenue generating assets and consolidated subsidiaries. Our ability to conduct our business, as well as our financial condition and results of operations, may be materially and adversely affected.

Our strategy of making acquisitions may result in material and adverse impact to our financial condition and results of operations.

We may from time to time acquire suitable targets to expand our product profiles and geographic markets. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, inability to identify suitable acquisition targets or complete acquisitions at commercially acceptable terms or prices, greater than expected liabilities and expenses, and unidentified issues not discovered in our due diligence. In addition, upon completion of an acquisition, we may allocate significant resources to the integration of the new business into our existing business to realize synergetic benefits. The integration process involves certain risks and uncertainties, some of which are outside our control. There is no assurance that we will be able to realize the benefits, synergies, cost savings or efficiencies to the extent we anticipate, or at all.

We rely substantially on our distributors and retailers.

We have established comprehensive, intelligent and integrated distribution networks all over the world. In many cases, we sell our products to our distributors or retailers who then in turn sell our products, directly or indirectly, to our end customers. As of June 30, 2019, there was 487 distributors and retailers for Joyoung segment and 141 distributors and retailers for SharkNinja segment. There can be no assurance that we will be able to maintain our existing relationships with distributors or retailers, or secure alternative distributors or retailers at terms acceptable to us. In addition, as we seek to expand our product profile and geographic markets, there can be no assurance that we will be successful in establishing relationships with new distributors or retailers on favorable terms or at all.

Furthermore, there can be no assurance that we will be successful in managing our distributors and detecting their non-compliance with the provisions of our distribution agreements. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Any of these could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We rely on a small number of major customers that accounted for a significant portion of our revenue for our US operations.

Our SharkNinja segment contracts with a number of large retailers that have considerable bargaining power, which may require us to agree to terms and conditions that may have an adverse effect on our business or financial performance. In 2018 and the six months ended June 30, 2019, our five largest customers and four largest customers, respectively, were customers within SharkNinja segment and sales to these largest customers accounted for 26.2% and 23.5%, respectively, of our total sales in the same periods. Our largest customer in 2018 and the six months ended June 30, 2019 accounted for 8.3% and 9.9%, respectively, of our total sales in the same periods. There is no assurance that our business relationship with our existing major customers will be maintained upon

expiry of our existing distribution agreements with these customers as they are not obliged to enter into new agreements with us. If they choose not to do so or if they significantly reduce the amount of purchases from us, we may not be able to find other customers to recoup the loss of revenue. As a result, our business operations, financial results and profitability may be adversely affected.

Any deterioration of our relationship with our channel partners could have a material adverse effect on our business and results of operations.

We sell a large portion of our products online either via our own direct online retail channels or through a global online distribution network comprising of third-party online distribution partners. In China and the United States, we cooperate with major e-commerce players such as JD.com, Suning.com, Amazon.com and Walmart.com and distribute our products. In China, we also work closely with Tmall, an e-commerce platform, for our flagship store and distribution. These third-party e-commerce players are important distribution channels for our products.

Our current agreements with partners and other third parties generally do not prohibit them from working with our competitors or from selling competing products. Our competitors may be more effective in providing incentives to our third-party online distribution partners to favor our competitors' products and promote their sales. In addition, if our third-party online distribution partners are not successful in selling our products due to various reasons, including lower demand, market competition and decreasing efficiency of distribution network, our revenue may decrease. Pursuing, establishing and maintaining relationships with our third-party online distribution partners require significant time and resources. There is no assurance that we will be able to renew those framework agreements upon its expiry or on acceptable terms. If for any reason, our relationship with our third-party online distribution partners deteriorates, our business and results of operations may be materially and adversely affected.

In addition, television broadcasting sales are a key component to our US operation. It is subject to a number of industry, regulatory and governmental rules and regulations on advertising in the United States. Compliance with these rules and regulations can be costly, and we may be subject to competitive advertising claims.

Our success depends on our distribution and logistics networks.

We engage third-party logistics service providers to provide warehousing and distribution services. Disputes with or a termination in our contractual relationships with one or more of our logistics service providers or courier companies could result in delayed delivery of products, increased costs or customer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers or courier companies on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers or courier companies to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers or courier companies, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our end-customers. Freight rates may fluctuate according to our agreements with logistics service providers or courier companies. We cannot guarantee that no interruptions would occur which could materially and adversely affect our business, prospects or results of operations.

In addition, as we do not have any direct control over these logistics service providers or courier companies, we cannot guarantee their quality of services. Also, services provided by these

logistics service providers and courier companies could be interrupted by unforeseen events beyond our control such as poor handling provided by these logistics service providers and courier companies, natural disasters, pandemics, adverse weather conditions, riots, labor strikes and mishandling of products. If there is any delay in delivery, damage to products or any other issue, we may lose end-customers and sales and our brand image may be tarnished.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

Innovation is in our genes and has fueled our success. We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. We may become an attractive target to counterfeiting and intellectual property theft activity because of our brand recognition. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China.

Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. There is no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may not have sufficient intellectual property rights in all countries and regions where unauthorized third-party copying or use of our proprietary technology may occur and the scope of our intellectual property might be more limited in certain countries and regions. Our existing and future patents may not be sufficient to protect our products, technologies or designs and/or may not prevent others from developing competing products, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

Our reputation and profitability may be adversely affected if our products are counterfeited or imitated in the market.

Our products may be counterfeited in the market, such as unauthorized imitation, replication of our design, infringement of trademarks, or labeling by third parties, which may affect our reputation and profitability. We are not aware of any substantial counterfeiting and imitation of our products during the Track Record Period. We will closely monitor to see whether there will be any unauthorized use of our design and trademarks, counterfeiting or imitation of our products. We cannot assure you that counterfeiting and imitation would not occur, or if it does occur, that we would be able to detect and address the problem effectively. A significant presence of counterfeit products in the market could have a negative impact on the value and image of our brand, lead to loss of consumer confidence in our brand and materially and adversely affect our business, results of operations and financial condition.

Our liquidity and financial condition may be materially and adversely affected if we fail to collect trade receivables from our distributors and retailers in a timely manner, or at all.

Our operation generally allows a credit term that typically ranges from 30 to 60 days for our distributors and retailers. With the increased usage of bills to settlement the payments by our distributors and retailers, our average turnover of bills and trade receivables may be longer than 60 days. We cannot assure you that our distributors and retailers will consistently make timely and full payments to us. If we fail to collect all or part of such payments in a timely manner, or at all, or if our major distributors or retailers extend their bill and trade receivables turnover days, our liquidity and financial condition may be materially and adversely affected.

Our operating results could be materially harmed if we are unable to accurately forecast market demand for our products or manage our inventory.

Our inventory includes finished products and a small amount of components and raw materials. As of December 31, 2016, 2017, 2018 and June 30, 2019, we recorded inventories of US$59.5 million, US$272.2 million, US$349.9 million and US$330.0 million, respectively. We write down inventory to the lower of book value or net realizable value, which includes an estimate for obsolescence or excess inventory based upon assumptions about future demand and market conditions. As of December 31, 2016, 2017, 2018 and June 30, 2019, we recorded inventories impairment of US$1.9 million, US$2.7 million, US$2.7 million and US$2.8 million, respectively. Although we believe our provisions related to inventory are currently adequate, there is no assurance that we will not incur additional related charges given the rapid and unpredictable pace of product obsolescence in the industries in which we compete. On the other hand, our retailers may not place orders to our distributors due to various reasons, such as obsolete or excess inventory or limited space for inventories, and may have a material adverse impact on our business. In addition, during the Track Record Period, we were able to carry limited inventories and control our inventory risk. However, to avoid any shortage of supplies, we may strategically keep a higher level of stock for certain key components for better cost management. Given our markets are competitive and subject to rapid technological and price changes, there is a risk that we may forecast incorrectly and order or produce excess or insufficient amounts of components, raw materials or finished products.

We may be unable to detect, deter and prevent misconduct by our employees, suppliers, customers and other third parties.

As of June 30, 2019, we had 4,157 full-time employees. Fraud or other misconduct by employees at different operational levels of our Group, whether individually or in collusion with other

employees, customers or other third parties, could reduce our operational efficiency and business performance, and may even result in violations of laws by us, third-party claims and regulatory actions against us and serious reputational or financial harm to us. Although we have certain internal control procedures and systems in place, we cannot assure you that all our employees will fully comply with our internal control procedures and systems when performing their duties. In addition, we may also be subject to misconduct by third parties such as our suppliers and customers. We cannot assure you that we will be able to prevent or detect all incidents of wrongdoing by third parties. Any misconduct committed against us or our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

In addition, we have been, and may from time to time be subject to disputes with respect to our employment practices. In particular, due to the litigious culture in the United States, we are more likely to be subject to employment disputes for our US operation. Regardless of their merit, such disputes could lead to judicial or arbitral claims and/or settlement liabilities which may have adverse impacts on our reputation, business operations and/or our financial condition. Such disputes and claims are costly, time-consuming, difficult to predict, and distractive to our management, and may adversely affect our operations and financial performance.

An economic downturn or economic uncertainty in China and the United States, and to a lesser degree in Europe, may adversely affect consumer discretionary spending and demand for our products and services.

During the Track Record Period, revenue from China, United States and Europe accounted for substantially all of our total revenue. Our operations and performance depend significantly on China, the United States, Europe and global economic conditions. Uncertainty about China, the United States, Europe and global economic conditions pose a risk as consumers and businesses may postpone spending in response to credit constraints, rising unemployment rates, financial market volatility, government austerity programs, negative financial news, declines in income or asset values and/or other factors. These worldwide and regional economic conditions could have a material adverse effect on demand for our products. Demand also could differ materially from our expectations as a result of currency fluctuations. Other factors that could influence worldwide or regional demand include changes in fuel and other energy costs, conditions in the real estate and mortgage markets, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could materially and adversely affect demand for our products.

We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business.

We are subject to laws and regulations affecting our domestic and international operations in a number of areas. These Chinese, US and foreign laws and regulations affect our activities including, but not limited to, in areas of labor, advertising, product liability, consumer protection, billing, e-commerce, promotions, quality of services, telecommunications, mobile communications and media, television, intellectual property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, health and safety. If any of these laws and regulations are violated and such violations lead to legal proceedings, it could disrupt our business, distract our management's

attention and subject us to substantial uncertainties as to the outcome of any such legal proceedings. Violations of these laws and regulations could materially and adversely affect our brand, international growth efforts and business.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products less attractive to our customers, delay the introduction of new products in one or more regions, or cause us to change or limit our business practices. There can be no assurance that our employees, contractors, agents, or business partners will not violate such laws and regulations or our compliance policies and procedures.

Our business involves the potential for product recalls, which could affect our sales and profitability.

As a manufacturer of consumer goods, we are subject to the risks of product recalls. For example, in the United States, SharkNinja is subject to the Consumer Products Safety Act and the Federal Hazardous Substances Act, which empower the U.S. Consumer Products Safety Commission, which is referred to as the CPSC, to seek to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the CPSC could require SharkNinja to repair, replace or refund the purchase price of one or more of our products, or SharkNinja may voluntarily do so. As an example, in 2015, a former distributor of SharkNinja in Australia and New Zealand, commenced, and notified Australian and New Zealand regulators of, voluntary recalls of affected units of three models of Shark vacuums across Australia and New Zealand, which affected 161,646 units in total in Australia and 55,503 units in total in New Zealand. The total cost of this recall to SharkNinja was US$3.8 million, which was partially covered by insurance, resulting in an actual cost of US$1.9 million. The vacuum models affected were specific to the Australian and New Zealand markets and were not sold in other countries. Any repurchases or recalls of our products could be costly to us and could damage our reputation or the value of our brands. If SharkNinja is required to remove, or SharkNinja voluntarily removes, our products from the market, our reputation or brands could be tarnished, and we might have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the CPSC of a potential safety hazard can result in fines being assessed against SharkNinja. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future. Our results of operations are also susceptible to adverse publicity regarding the quality and safety of our products. In particular, product recalls may result in a decline in sales for a particular product.

We are subject to governmental economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.

Exports of our products must be made in compliance with various economic and trade sanctions laws in different jurisdictions. For example, US economic sanctions prohibit persons subject to US jurisdiction from engaging in the provision of products or services to or from certain countries, governments, entities and persons targeted by US economic sanctions. UK financial sanctions and European Union sanctions impose similar restrictions. Even though we take precautions to prevent our products from being provided to any target of these sanctions, our products could be provided to those

targets without our knowledge or approval through independent distributors or otherwise despite such precautions. Under certain circumstances, any such provision could have negative consequences, including government investigations, penalties and reputational harm. We could be subject to enforcement actions with respect to compliance with economic sanctions laws that result in penalties and costs that could have a material effect on our business and results of operations.

In 2017, SharkNinja Operating LLC ("SN"), our US-incorporated subsidiary, and thus a US person, engaged in a wire transfer in relation to a shipment on an Iranian-flagged vessel operated by the Islamic Republic of Iran Shipping Line ("IRISL") which could be deemed a violation of the Iranian Transactions and Sanctions Regulations ("ITSR") that prohibit US persons, individuals or companies from engaging in a wide range of transactions, directly or indirectly, involving Iran (the "Iranian Transaction"). If OFAC were to determine that SN has engaged in one or more violations of the ITSR, SN could likely be subject to a number of relevant outcomes imposed by OFAC's enforcement guidelines, ranging from no action to a civil monetary penalty. Based on our current understanding, and after consulting with our legal advisers, we believe the maximum penalty allowed under the relevant statutes and enforcement guidelines in respect of the Iranian Transaction would not be material to SN.

We are committed to ensuring our compliances with relevant economic sanctions laws and preventing such incident from occurring. However, we cannot assure you that we will always be able to do so, for factors beyond our control or otherwise.

Our success depends largely on the continued contributions of our senior management and key personnel and maintaining our unique corporate culture and values.

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, especially our Chairman, Mr. Wang Xuning and our Global President, Mr. Mark Adam Barrocas, our senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense, particularly in the robotics, IoT, internet and technology industries. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

Our unique corporate culture, which encourages innovation and cooperation, is driven by our founding team members who were the pioneers in the soymilk maker market. We value our customers highly and tailor our products to facilitate a better and easier life. Our corporate culture and values have empowered our rapid growth in the past, and we may risk losing the trust of our customers, employees and partners and our operations may be materially and adversely affected if we fail to maintain our unique corporate culture and values.

If we are unable to recruit, train and retain qualified personnel or a sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly technical, marketing and other operational personnel with experience in the home appliance industry. Our experienced mid-level managers are instrumental in

implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, there is no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Labor costs in China and elsewhere have increased with global economic development. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

Our delivery, return and exchange policies may adversely affect our results of operations.

We generally allow customers to return unused goods and to exchange defective goods within certain periods in compliance with regulatory requirements. Our customers may also have their product replaced for specific types of defects or quality issues as required under the relevant laws and regulations. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. In addition, retailers in many of the markets that we sell to allow consumers to return products to their stores within a specified amount of time as determined by each retailer's policy. The retailers will in turn charge us for that returned product to the extent that it is not in a resellable condition once returned.

Our and our retailers' delivery, return and exchange policies improve our customers' shopping experiences and promote customer loyalty, which in turn helps us acquire and retain customers. However, these policies also subject us to additional costs and expenses. Generally, our distributors in China will bear the cost of returned products and arrange for repairs if needed. In cases where we are liable for any of such cost, our suppliers generally indemnify us for losses due to their handling of the products. If after all these arrangements, we are still responsible for the costs of delivery, return and exchange of products, our results of operations may be materially and adversely affected. In addition, in the United States and other markets where it is customary to allow customers to return products for any reason within a specified amount of time, our results of operations may be materially and adversely affected if we sell products that do not meet consumer expectations, whether related to a product defect or quality issue or not. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

We primarily lease properties for our manufacturing facilities, sales offices, warehouses, and retail stores. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses to obtain space at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for certain leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

Our business is subject to seasonal fluctuations and if our sales fall below our forecasts, our overall financial condition and results of operations could be adversely affected.

Our business is subject to seasonal fluctuations, which are primarily driven by the consumption habits in the small household appliance market. We generally receive more orders during the holiday and shopping seasons. Accordingly, any shortfall during the period from September to December, which is typically our peak season in China and the United States, would adversely affect our annual operating results. Furthermore, our rapid growth may obscure the extent to which seasonality trends have affected our business. Accordingly, yearly or quarterly comparisons of our operating results may not be useful and our results in any particular period will not necessarily be indicative of the results to be expected for any future period.

We collect, store, process and use personal information and other customer data, which subjects us to governmental regulations and other legal obligations related to privacy, information security, and data protection, and any security breaches or any actual or perceived failure to comply with such legal obligations could harm our brand and business.

To foster our customer loyalty, we actively engage our customers to share and discuss their thoughts and experiences regarding our products with us through our official WeChat platform, third-party online distributor, platforms, social media platforms and offline activities. During this process, we will have access to certain personal information and other customer data. Collection, storage, processing and use of personal information and other customer data subjects us to governmental regulations and other legal obligations related to privacy, information security, and data protection.

We are committed to protecting our customer data. We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, our enterprise platform and information systems may be targets of attacks, such as viruses, malware or phishing attempts by cyber criminals or other wrongdoers seeking to steal our customer data for financial gain or to harm our business operations or reputation. The loss, misuse or compromise of such information may result in costly investigations, remediation efforts and notification to affected customers. If such content is accessed by unauthorized third parties or deleted inadvertently by us or third parties, our brand and reputation could be adversely affected. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims.

Any interruption in the operation of our in-house production may have an adverse impact on our business.

We produce certain core or pioneer products as well as prototypes of our Joyoung brand within our in-house production facilities in Hangzhou and Jinan. Any interruption in our in-house production could adversely affect our business operations.

Our production may be disrupted for a variety of reasons such as equipment breakdowns, labor strikes or shortages, natural disasters, component and material shortages, environmental non-compliance, commercial disputes or information technology system failures such as power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology system. A prolonged disruption in the operations of any of our

in-house production facilities, whether due to technical or labor difficulties or otherwise, could result in delays in the delivery of products to our customers, increased costs and reduced revenue.

Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other outbreaks of contagious diseases or business interruptions.

War, terrorism, geopolitical uncertainties, public health issues and other business interruptions have caused and could cause damage or disruption to the economy and commerce on a global or regional basis, which could have a material adverse effect on us, our suppliers, logistics providers, OEM suppliers and customers. Our business operations are subject to interruption by, among others, natural disasters, whether as a result of climate change or otherwise, fire, power shortages and other industrial accidents, terrorist attacks and other hostile acts, labor disputes, public health issues and related events, demonstrations, and other events beyond our control. Such events could decrease demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to make and deliver products to our customers, or to receive components or products from our suppliers, and create delays and inefficiencies in our supply chain. While our suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in disruption to our business and harm to our reputation. Should major public health issues, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products and disruptions in the operations of our OEM suppliers, component suppliers and logistics providers. In the event of a natural disaster, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

We are subject to risks associated with foreign exchange rate fluctuations.

We have significant operations in China and the United States. Particularly, our US operation sources products in China for its international sales. Fluctuations in the value of Renminbi against local currencies could result in currency exchange gains or losses. Additionally, we export products to offshore markets, such as the United Kingdom. As an example, sales in the United Kingdom are denominated in GBP, and costs of sales incurred in the United Kingdom are primarily denominated in US dollars. Weakening of the GBP relative to the US dollar adversely affects the US dollar value of our sales and earnings denominated in GBP, and generally leads to increased prices in the United Kingdom, potentially reducing demand for our products. Margins on sales of our products in international markets which include components procured with the US dollar could be materially and adversely affected by foreign currency exchange rate fluctuations. In some circumstances, for competitive or other reasons, we may decide not to raise local prices to fully offset the US dollar's strengthening, or at all, which could adversely affect our financial condition and results of operations.

In addition, our consolidated financial results are affected by currency exchange rate fluctuations. Our financial information is presented in US dollars. In connection with the preparation of our financial information, the results of operations of subsidiaries, which are initially prepared in their respective local functional currencies, such as the Renminbi and GBP, are translated into US dollars. As a result, changes in the exchange rate between our functional currencies, particularly, Renminbi as one of our major operating currencies, and the US dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, to the extent that foreign currency-denominated (i.e., non-US dollar) monetary assets do not equal the amount of our foreign

currency-denominated monetary liabilities, foreign currency gains or losses could arise and materially impact our financial statements. During the Track Record Period, we recorded exchange losses on translation of foreign operations of US$44.7 million and US$37.1 million in 2016 and 2018, respectively, and recorded exchange gains on translation of foreign operations of US$43.0 million and US$1.8 million in 2017 and the six months ended June 30, 2019, respectively. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations.

The fair value of our financial assets at fair value through profit or loss may face uncertainties and be subject to fluctuations as the valuation of its fair value involves the use of unobservable inputs.

We classified certain equity investments as financial assets at fair value through profit or loss as they were held for trading. We also classified certain financial products as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. See note 20 to the Accountants' Report in Appendix I to this prospectus for details. These investments were measured at fair value through profit or loss at the end of each reporting period. At each reporting date, we analyze movements in the values of financial instruments and determine the major inputs applied in the valuation. We use valuation methodologies that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. See notes 2.4 and 44 to the Accountants' Report in Appendix I to this prospectus for details. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, for financial assets at fair value through profit or loss, we recorded gains on change in fair value of US$17.9 million, US$5.7 million, US$0.7 million and US$6.0 million, respectively, credited to other income and gains. Changes in any of the unobservable inputs could result in changes of the fair value of our investments. As a result, the fair value of our financial assets at fair value through profit or loss is subject to uncertainties in accounting estimate, which could negatively impact our financial condition and net profit or loss.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our deferred tax assets amounted to US$11.2 million, US$45.4 million, US$46.5 million and US$43.9 million, respectively, which mainly represent temporary differences arising from allowances on doubtful debt(s), accrued liabilities and provisions. For details of the movements in our deferred tax assets during the Track Record Period, please see note 30 to the Accountants' Report in Appendix I to this prospectus. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our carrying amount of deferred tax assets relating to recognized tax losses was US$0.2 million, US$4.0 million, US$3.4 million and US$3.6 million, respectively. We cannot guarantee the recoverability or predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may adversely affect our financial position in the future.

Higher labor costs may adversely affect our business and our profitability.

Labor costs in China and elsewhere in the world have risen in recent years. Rising labor costs may be reflected in our selling and distribution costs, administrative costs, the manufacturing fees charged by our OEM suppliers to us and the prices of finished goods. These increased costs resulting from higher labor cost of our component suppliers and OEM suppliers cannot be easily passed to end customers in the form of higher retail prices because of severe competition in the markets in which we operate. Our profitability therefore may be adversely affected if labor costs continue to rise.

We rely on our information technology systems for our suppliers, sales and other functions and to maintain our research and development data. If our information technology systems fail to adequately perform these functions, or if we experience an interruption in their operation, our business and results of operations could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage accounting and financial functions, order entry, order fulfillment, distribution scheduling and inventory replenishment processes, and to maintain our research and development data. The failure of our information technology systems to perform as we anticipate could disrupt our business and product development and could result in decreased sales and increased overhead costs, all of which could materially and adversely affect our business, financial condition and results of operations. In addition, our information technology systems are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;
- attacks by computer viruses or hackers;
- power loss; and
- computer systems, Internet, telecommunications or data network failure.

Any such damage or interruption could materially and adversely affect our business and results of operations.

We could be subject to changes in our tax rates, the adoption of new domestic or international tax legislation or exposure to additional tax liabilities.

We are subject to taxes in China, the United States and other jurisdictions, where a number of our subsidiaries are organized. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation.

We are also subject to the examination of tax returns, tax residency status and other tax matters by tax authorities and governmental bodies in various jurisdictions. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected. Our tax expense and liabilities may also be affected by other factors, such as past or future changes in our business operations or ownership structure, acquisitions, investments, entry into

new businesses and geographies. Significant judgment is required in evaluating and estimating our tax expense and liabilities. We may be exposed to additional tax liabilities arising out of transactions and calculations for which the ultimate tax determination is uncertain.

We have limited insurance coverage which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. We maintain limited third-party insurance policies covering certain potential risks and liabilities including product liability, property and construction liability. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees in China, as well as statutorily required insurance coverage for overseas employees. See "Business—Insurance" for details of our insurance policies. However, we cannot assure you that our insurance coverage is sufficient to cover all of our risk exposure and prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

In addition, in line with general market practice, we do not maintain any business interruption insurance in China, which is not mandatory under the laws in China. We also do not maintain key-man life insurance or insurance policies covering damages to our IT systems. Any disruption in our IT systems or natural disasters may cause us to incur substantial costs to diversify our resources, and we have no insurance to cover such losses. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We face risks relating to our relationship with our A Share listed company in China.

Our principal business in China is operated by our A-Share listed subsidiary in China, Joyoung. Joyoung must comply with the rules of Shenzhen Stock Exchange and various provisions in relation to the protection of minority shareholders under PRC laws and regulations. For instance, pursuant to relevant PRC laws and regulations, connected parties of Joyoung must abstain from voting in relation to major connected transactions. Therefore, subject to certain conditions, transactions under agreements entered into between Joyoung and/or its subsidiaries and the Company and/or its subsidiaries (other than Joyoung and its subsidiaries), and/or other connected parties require the approval of non-connected directors of Joyoung and/or the approval of the non-connected shareholders of Joyoung. In the event that major operational decisions of the Company cannot be implemented due to a failure to obtain approval from the non-connected directors of Joyoung and/or the non-connected shareholders of Joyoung or, if applicable, waivers from the Shenzhen Stock Exchange, our operations and the implementation of our strategies may be adversely affected.

We recorded a significant amount of goodwill following the acquisition of SharkNinja and our net profit could be adversely affected if we recognize impairment losses on such goodwill.

Upon the completion of our acquisition of SharkNinja, we recorded goodwill of US$839.8 million. The balance of goodwill was US$839.8 million as of June 30, 2019.

We test goodwill for impairment as of December 31 of each year, or more frequently if events or circumstances indicate that goodwill might be impaired. Examples of such events or circumstances

include, but are not limited to, a significant adverse change in business performance and/or expected future business performance driven by factors including but not limited to degradation in legal or business climates, an adverse regulatory action, unanticipated competition or an inability to execute our strategy initiatives.

We did not recognize any impairment losses on the recorded goodwill associated with the acquisition of SharkNinja for the Track Record Period. However, we may recognize impairment losses on goodwill in the future and that impairment could negatively affect our results of operations and profitability.

We recorded a significant amount of other intangible assets following the acquisition of SharkNinja and our net profit could be adversely affected if we recognize impairment losses on such other intangible assets.

Upon completion of our acquisition of SharkNinja, we recorded other intangible assets of US$564.0 million, which primarily include trademarks, patents and retailer relationships. In addition, we recorded other intangible assets of software and patents acquired from third parties, as well as the capitalized development cost of our own R&D. The balance of other intangible assets was US$554.6 million as of June 30, 2019.

We test intangible assets with indefinite life and capitalized development costs not yet available for use for impairment annually, and at other times when there is an indicator that such intangible asset may be impaired. We test intangible assets with finite lives for impairment when there is an indicator that the carrying amounts may not be recoverable.

We did not recognize any impairment losses on the recorded other intangible asset associated with the acquisition of SharkNinja for the Track Record Period. However, we may recognize impairment losses on other intangible assets in the future and that impairment could negatively affect our results of operations and profitability.

The discontinuation of the preferential tax treatments for "high and new technology enterprises" currently available to us in China could reduce our net income and profitability.

Joyoung Household Appliances (formerly known as Hangzhou Joyoung Ounanduo Small Appliance Limited (杭州九陽歐南多小家電有限公司)) is currently qualified as a "high and new technology enterprise" under the EIT Law and was entitled to a preferential income tax rate of 15% during the Track Record Period. Its qualification as a "high and new technology enterprise" is valid through 2019. We intend to reapply for such qualification thereafter but there is no assurance that our application will succeed. In the event that this preferential tax treatment is discontinued, Joyoung Household Appliances will become subject to a 25% standard enterprise income tax rate, which would increase our income tax expenses and could reduce our net income and profitability.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis, or at all.

We require significant working capital for our operations and capital expenditures for our expansion, to enhance global brand awareness and introduce new products and services. If capital resources are not available, we may not be able to implement our strategy and future plans. We expect our total indebtedness will continue to increase as a result of our business expansion. Historically, we

have generally relied on capital contributions from Shareholders, bank loans and cash generated from our operations to fund our operations and expansion. Our ability to obtain adequate external financing depends on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and PRC economies, interest rates, the applicable laws, regulations, rules and conditions related to the industry and the geographical regions where we operate. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, or that we will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis, or at all. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms, or at all, our business and operations may suffer, and the implementation of our expansion plans and our other strategies may be delayed.

RISKS RELATING TO THE COUNTRIES IN WHICH WE OPERATE

Changes in political, social and economic policies in any of China, the United States, the United Kingdom or Japan may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business operations are primarily conducted in China, the United States, the United Kingdom and Japan. Accordingly, we are affected by the economic, political and legal environment in China, the United States, the United Kingdom and Japan.

In particular, China's economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;
- is in the early stages of development of a market-oriented economy;
- has experienced rapid growth; and
- has a tightly controlled foreign exchange policy.

China's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in China remain state-owned and the PRC government exercises a high degree of control over these assets. In addition, the PRC government continues to play a significant role in regulating industrial development by imposing industrial policies. For the past three decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development.

China's economy has grown significantly in recent years; however, there can be no assurance that such growth will continue. The PRC government exercises control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall economy of China, but may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As such, our future success is, to some extent, dependent on the economic conditions in China, and any significant downturn in market conditions may materially and adversely affect our business prospects, financial condition, results of operations and prospects.

The legal system in China embodies uncertainties which could limit the legal protections available to us.

The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Our principal business in China is operated by our A-Share listed subsidiary, Joyoung, on the Shenzhen Stock Exchange. Joyoung is subject to applicable PRC laws and regulations as well as specific regulations issued by the Shenzhen Stock Exchange. However, these laws, regulations and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Under China EIT Law, we may be classified as a "resident enterprise in China". This classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

Under the EIT Law, an enterprise established outside China whose "de facto management body" is located in China is considered a "resident enterprise in China", and will generally be subject to the uniform 25% enterprise income tax rate on its global income. On April 22, 2009, the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》國税發[2009]82號) issued by the State Administration of Taxation regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside China as "resident enterprises" clarified that dividends and other income paid by such "resident enterprises" will be considered to be Chinese source income, subject to Chinese withholding tax, currently at a rate of 10%, when recognized by non-Chinese enterprise shareholders. This circular also subjects such "resident enterprises" to various reporting requirements with the Chinese tax authorities. Under the Implementation Regulations of EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether "de facto management bodies" are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside China that are controlled by Chinese enterprises or groups of Chinese enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual Chinese residents like us and some of our subsidiaries. Therefore, although part of our management is currently located in China, it remains unclear whether the Chinese tax authorities would require or permit our overseas registered entities to be treated as Chinese resident enterprises. We do not currently consider our Company to be a Chinese resident enterprise. However, if the Chinese tax authorities disagree with our assessment and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-Chinese Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be

subject to a Chinese withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-Chinese Shareholders.

The heightened scrutiny over acquisition transactions by tax authorities in China may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice of State Administration for Taxation on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises (《國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知》) ("SAT Circular 698") issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a Chinese resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company (an "Indirect Transfer"), and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the Chinese resident enterprise this Indirect Transfer. Using a "substance over form" principle, the Chinese tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring Chinese tax.

On March 28, 2011, the SAT released the Public Notice on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (《關於非居民企業所得税管理若干問題的公告》)("SAT Public Notice 24"), which became effective on April 1, 2011, to clarify several issues related to Circular 698. According to SAT Public Notice 24, the term "effective tax" refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term "does not impose income tax" refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

On February 3, 2015, the SAT issued the Announcement of the SAT on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) ("SAT Circular 7"), which abolished certain provisions in SAT Circular 698 and SAT Public Notice 24, as well as certain other rules providing clarification on such regulations. SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of Chinese taxable assets. Under SAT Circular 7, the tax authorities in China are entitled to reclassify the nature of an indirect transfer of Chinese taxable assets, when a non-resident enterprise transfers Chinese taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC taxable assets, if such transfer is deemed to have been conducted for the purposes of avoiding Chinese enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of Chinese taxable assets by acquiring and selling shares of an overseas listed company which holds such Chinese taxable assets on a public market; and (ii) where there is an indirect transfer of Chinese taxable assets, but if the non-resident enterprise had

directly held and disposed of such Chinese taxable assets, the income from the transfer would have been exempted from enterprise income tax in China under an applicable tax treaty or arrangement.

On October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》) ("SAT Circular 37"), which became effective on December 1, 2017 and abolish SAT Circular 698 as well as certain provisions in SAT Circular 7 and SAT Public Notice 24. Pursuant to SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority. The taxable gain is calculated as the income from such transfer net of the net book value of equity interest.

We cannot assure you that the Chinese tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of Chinese tax authorities with respect thereto. Any Chinese tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

You may be subject to Chinese income tax on dividends from us or on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, Chinese withholding tax at the rate of 10% is normally applicable to dividends from Chinese sources payable to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) Chinese income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not residents in China are generally subject to a Chinese withholding tax at a rate of 20% and gains from Chinese sources realized by such investors on the transfer of shares are generally subject to 20% Chinese income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and Chinese laws.

A large part of our business operations is in China, therefore, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to Chinese income tax. If Chinese income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Chinese regulations of loans and direct investment by offshore holding companies to Chinese entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our Chinese subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may transfer funds to our Chinese subsidiaries or finance our Chinese subsidiaries by means of Shareholders' loans or capital contributions after completion of the Global Offering. Any loans to our Chinese subsidiaries, which are FIEs, cannot exceed statutory limits based on the difference between the registered capital and the investment amount of such subsidiaries, and shall be registered with the SAFE or its local counterparts. Furthermore, any capital contributions we make to our Chinese subsidiaries are subject to filing with the MOFCOM in its foreign investment comprehensive management information system and registration with the relevant market regulation authority. We may not be able to obtain these government registrations on a timely basis, if at all. If we fail to receive such registrations, our ability to provide loans or capital contributions to our Chinese subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("Circular 19"). Circular 19 allows FIEs in China to settle their foreign exchange capital at their discretion and use their registered capital settled in RMB converted from foreign currencies to make equity investments, but the registered capital of a FIE settled in RMB converted from foreign currencies cannot be used for investment in the securities markets, offering entrustment loans or purchases of any investment properties, unless otherwise regulated by other laws and regulations. SAFE further promulgated Circular on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) ("SAFE Circular 16"), effective on June 9, 2016, which amended certain provisions of Circular 19. SAFE Circulars 19 and 16 prohibit FIEs from, among other things, using the RMB converted from their foreign exchange capitals for expenditure beyond their business scopes or domestic securities investment or other investments except for principal-secured bank products, and also prohibit FIEs from using such RMB to provide loans to non-affiliated parties or constructing or purchasing real estate not for self-use, unless otherwise permitted under its business scope. Circular 19 and Circular 16 may limit our ability to transfer the net proceeds from the Global Offering to our Chinese subsidiaries and use the net proceeds in China from this Offering.

We may be subject to penalties, including restriction on our ability to inject capital into our Chinese subsidiaries and our Chinese subsidiaries' ability to distribute profits to us, if our resident shareholders or beneficial owners in China fail to comply with relevant Chinese foreign exchange regulations.

The SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("Circular 37"), effective on July 4, 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for the People's Republic of China Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) ("Circular 75"). Circular 37 requires Chinese residents, including

Chinese individuals and institutions, to register with the SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such Chinese residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such residents in China must update their foreign exchange registrations with the SAFE or its local branches when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such Chinese individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a Chinese resident as determined by Circular 37, fails to fulfill the required foreign exchange registration, the Chinese subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its Chinese subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under Chinese laws for evasion of applicable foreign exchange restrictions.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are Chinese residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are Chinese residents to ensure their compliance with Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are residents in China will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are residents in China comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by the Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who is a resident in China as determined by Circular 37 fails to fulfill the required foreign exchange registration, our Chinese subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our subsidiaries in China, which may adversely affect our business.

We rely on dividends and other distributions on equity paid by our subsidiaries in China and the United States to fund any cash and financing requirements we may have. Any limitation on the ability of our Chinese and US subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our subsidiaries in China and the United States, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If our Chinese subsidiaries or US subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

In particular, under Chinese laws and regulations, Chinese enterprises may pay dividends only out of their retained earnings as determined in accordance with Chinese accounting standards and regulations. In addition, a Chinese enterprise is required to set aside at least 10% of its after-tax profits

each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Any limitation on the ability of our Chinese subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive a considerable portion of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our subsidiaries in China and the United States. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers and payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in China to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing Chinese foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The Chinese government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

It may be difficult to effect service of process upon us or our Directors or officers named in this prospectus who reside in China or to enforce non-China court judgments against them in China.

A material part of our assets is situated in China and most of our Directors and officers named in this prospectus reside in, and most of their respective assets are located in, China. As a result, it may be difficult to effect service of process outside China upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. Consequently, it may be difficult for you to enforce any judgments obtained from courts outside of China against us or our Directors or officers in China.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人

協議管轄的民商事案件判決的安排》) (the "Arrangement") and revised on July 3, 2008, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the revised Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for the Shares may not develop.

Prior to the Global Offering, there has been no public market for the Shares and an active or liquid market for the Shares may never develop or be sustained after the Global Offering. The Offer Price may differ significantly from the market price for the Shares following the Global Offering. Listing and quotation does not guarantee that a trading market for the Shares will develop or, if a market does develop, the liquidity of that market.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. A number of household appliance companies have listed their securities, and some may be in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards household appliance companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by certain shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry

of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

Your shareholding will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this prospectus.

This prospectus, particularly the section headed "Industry Overview," contains information and statistics relating to the small household appliances and large kitchen appliances industries. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- further limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

You should not place any reliance on any information released by Joyoung in connection with the listing of its A shares on the Shenzhen Stock Exchange.

As Joyoung's A shares are listed on the Shenzhen Stock Exchange, it has been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time Joyoung publicly releases information relating to itself or its shareholders on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by Joyoung in connection with its A shares is based on the regulatory requirements of the securities authorities and market practices in China which are different from those applicable to our Shares. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our Shares are reminded that, in making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information disclosed by Joyoung as part of its publication as required by the Shenzhen Stock Exchange. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information. You should only rely on the information contained in this prospectus, the application forms and any formal announcement made by us in Hong Kong in making your investment decision regarding our Shares.

In preparation for the Listing, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See "Connected Transactions—Non-exempt Continuing Connected Transactions."

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and in the US; (ii) our executive Directors principally reside in China; and (iii) the management and operations of the Company have mainly been under the supervision of our executive Directors and senior management of the Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operations located in the PRC and in the US, the Company considers that it would be more practical for its executive Directors and senior management of the Company to remain ordinarily resident in the PRC and in the US where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: we have appointed Ms. Han Run ("Ms. Han"), the executive Director, and Mr. Shan Minqi, the Company Secretary, ("Mr. Shan") as the authorized representatives ("Authorized Representatives") for the purpose of Rules 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Ms. Han and Mr. Shan ordinarily reside in China, and both possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will also be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See "Directors and Senior Management."

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as

mobile phone numbers, office phone numbers, e-mail addresses and fax numbers, to the extent possible) of each of our Directors. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange; and

3. **Compliance adviser**: we have appointed Altus Capital Limited as our compliance adviser (the "Compliance Adviser") in compliance with Rules 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. We expect to achieve a minimum market capitalization of at least HK$10 billion upon Listing and we have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules, pursuant to which the public float of the Company may fall below 25% of the issued share capital of the Company, to allow a minimum public float of the Company to be the highest of: (i) 15% of the Company's total issued share capital; (ii) such percentage of Shares held by the public after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option, subject to a maximum percentage of 25% pursuant to Rule 8.08(1)(a) of the Listing Rules. The above discretion is subject to the condition that we make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm the sufficiency of the public float in our successive annual reports after the Listing. We and the Joint Sponsors will be able to demonstrate compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules.

In addition, we will implement appropriate measures and mechanisms to ensure continual maintenance of a 15% public float (or a higher percentage upon completion of any exercise of the Over-allotment Option). In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors and our Controlling Shareholders will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

WAIVER IN RELATION TO POST TRACK RECORD PERIOD ACQUISITION

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, our Company shall include in its accountant's report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the

Company have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to guidance letter HKEx-GL32-12 issued by the Stock Exchange ("GL32-12"), the Stock Exchange may consider granting waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances, the Stock Exchange will ordinarily grant a waiver in relation to acquisitions of a business or subsidiary subject to the following conditions: (i) the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of the acquired or to be acquired business or subsidiary are all less than 5% by reference to the most recent financial year of the applicant's trading record period; (ii) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare; and (iii) the listing document should include at least the information that would be required for a disclosable transaction under Chapter 14 of the Listing Rules on each acquisition.

The Company is currently negotiating with a target company ("Target Company"), which is an Independent Third Party, and its shareholders for potential acquisition of a portion or all of the equity interest and/or business of the Target Company ("Proposed Acquisition"). See "History, Reorganization and Corporate Structure – Post Track Record Period Acquisition".

Based on the following reasons, our Company has applied to and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules:

(a) **Immateriality of the Proposed Acquisition**: The scale of the businesses operated by the Target Company as compared to that of our Group is not material. Each of the asset ratio, revenue ratio and profits ratio in relation to the Proposed Acquisition is below 5%. In addition, notwithstanding that the Proposed Acquisition represents suitable strategic acquisition target of the Group, the Company is of the view that the Proposed Acquisition, as and if completed, would not significantly affect the financial position of our Group as a whole. Furthermore, it is expected that the Target Company will not be a significant subsidiary of the Company (as defined under Chapter 14A of the Listing Rules), even if the relevant acquisitions are completed or materialized.

(b) **Undue burden to obtain and prepare historical financial information of the Target Company to be acquired**: The Proposed Acquisition has not been completed as of the date of this prospectus, and remains subject to the conditions precedent, including but not limited to satisfactory due diligence results, entry into a definitive subscription agreement and internal and external approval and filing procedure, and the determination of initial business plan and budget. As such, we do not have full access to the relevant financial records for purposes of audit by its reporting accountant and disclosure in this prospectus. Accordingly, having considered the immateriality of the Proposed Acquisition as well as the time and resources required to obtain, compile and audit such historical financial information in conformity with the Company's accounting policies, it would be unduly burdensome for the Company to prepare and include the financial information of the Target Company under the Proposed Acquisition in this prospectus.

(c) **Alternative disclosure**: With a view of allowing the potential investors to understand the Proposed Acquisition in greater details, we have disclosed in this prospectus the following information in relation to the Proposed Acquisition, which is comparable to the information that is required to be included in the announcement of a discloseable

transaction under Chapter 14 of the Listing Rules, including (a) general description of the scope of principal business activities of the Target Company; (b) the basis on which the consideration is determined; (c) how the consideration will be satisfied; (d) reasons for and benefits of the Proposed Acquisition; and (e) other material terms of the sale and purchase agreement in relation to the Proposed Acquisition (if any). See "History, Reorganization and Corporate Structure – Post Track Record Period Acquisition."

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting."

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering," and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and

sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Offer Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the Listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Tricor Investors Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

EXCHANGE RATES

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and US dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between US dollar and Hong Kong dollar was made at the rate of HK$7.8281 to US$1.00, and (ii) the translation between Renminbi and Hong Kong dollars was made at the rate of HK$1.1136 to RMB1.00, each based on the exchange rates prevailing on November 29, 2019 published by the PBOC for foreign exchange transactions.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

See "Directors and Senior Management" for further information on our Directors.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Xuning (王旭寧)	Room 101-1 Unit 3, Building 5 Liu Zhuang Advanced Apartment Hangzhou, Zhejiang PRC	Chinese
Ms. Han Run (韓潤)	G21-2-1804 No. 21 Yangguang Xin Road Huaiyin District Jinan, Shandong PRC	Chinese
Ms. Huang Shuling (黃淑玲)	No. 101 Building 2, No. 3 District Guohua Dongfang Meijun Travel Road Shizhong District Jinan, Shandong PRC	Chinese
Non-executive Directors		
Mr. Hui Chi Kin Max (許志堅)	49 ORIOLE CRESCENT SINGAPORE 288640	Singaporean
Mr. Stassi Anastas Anastassov	26 Chemin de La Rochefoucauld 1290 Versoix Switzerland	Swedish
Independent non-executive Directors		
Dr. Wong Tin Yau Kelvin (黃天祐)	Room 2, 4/F Block D Greenville Gardens Shiu Fai Terrace No. 14-17 Stubbs Road Hong Kong	British
Mr. Timothy Roberts Warner	350 Arden Road Menlo Park California USA	USA
Mr. Yang Xianxiang (楊現祥)	Flat A 68/F, Tower 2 11 Tai Hang Road Serenade, Causeway Bay Hong Kong	Chinese (Hong Kong)

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Credit Suisse (Hong Kong) Limited** Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Morgan Stanley Asia Limited** Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **ICBC International Capital Limited** 37/F, ICBC Tower 3 Garden Road Hong Kong
Joint Global Coordinators	**Credit Suisse (Hong Kong) Limited** Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Morgan Stanley Asia Limited** Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **ICBC International Capital Limited** 37/F, ICBC Tower 3 Garden Road Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners	**Credit Suisse (Hong Kong) Limited** Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square Canary Wharf
London E14 4QA
United Kingdom

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Lead Managers

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square Canary Wharf
London E14 4QA
United Kingdom

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Auditor and Reporting Accountant

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisors to the Company	*As to Hong Kong and US laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Grandall Law Firm (Shanghai)** 23/F-25/F, Garden Square No. 968 West Beijing Road Shanghai PRC *As to Cayman Islands law:* **Maples and Calder (Hong Kong) LLP** 53/F, The Center 99 Queen's Road Central Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and US laws:* **Paul Hastings** 21-22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F NCI Tower A12 Jianguomenwai Avenue Beijing PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1014-1018, Tower B Greenland Hui Center 500 Yunjin Road Xuhui District Shanghai PRC
Receiving Banks	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower, 3 Garden Road, Central Hong Kong **China Construction Bank (Asia) Corporation Limited** 3/F, CCB Tower, 3 Connaught Road Central, Central Hong Kong

Registered Office	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Place of Business	21/F 238 Des Voeux Road Central Sheung Wan Hong Kong
Principal Place of Business in Hong Kong	21/F 238 Des Voeux Road Central Sheung Wan Hong Kong
Company's Website	www.jsgloballife.com
Company Secretary	Shan Minqi Room 902, Unit 3 Building 4, Pastoral Luyunyuan Banshan Town, Gongshu District Hangzhou, Zhejiang PRC
Authorized Representatives	Han Run G21-2-1804 No. 21 Yangquang Xin Road Huaiyin District Jinan, Shandong PRC Shan Minqi Room 902, Unit 3 Building 4, Pastoral Luyunyuan Banshan Town, Gongshu District Hangzhou, Zhejiang PRC
Strategy Committee	Wang Xuning (Chairman) Hui Chi Kin Max Stassi Anastas Anastassov Wong Tin Yau Kelvin Timothy Roberts Warner Yang Xianxiang
Audit Committee	Wong Tin Yau Kelvin (Chairman) Timothy Roberts Warner Yang Xianxiang
Nomination Committee	Wang Xuning (Chairman) Wong Tin Yau Kelvin Yang Xianxiang

Remuneration Committee	Timothy Roberts Warner (Chairman) Han Run Yang Xianxiang
Compliance Adviser	Altus Capital Limited 21 Wing Wo Street Central Hong Kong
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited PO Box 1093 Boundaty Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Principal Banks	Industrial and Commercial Bank of China (Asia) Limited 29F, ICBC Tower 3 Garden Road Central Hong Kong

The information presented in this section is derived from the Frost & Sullivan Report, as well as various official or publicly available publications. The information derived from the Frost & Sullivan Report reflects estimates of the market conditions based on information from various sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading in any material respect. We, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, or their respective affiliates or advisors or any other party involved in the Global Offering, except the Industry Consultant, have not independently verified, and make no representation as to, the accuracy of the information from official government or other third-party sources. Accordingly, the official government and other third-party sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after due and reasonable consideration, there is no adverse change in the market information since the date of the Frost & Sullivan Report up to the date of this prospectus which may qualify, conflict with or have a material impact on, the information in this section.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

We commissioned Frost & Sullivan, an independent market research and consulting company which is engaged in the provision of market research and economic research consultancy services, to conduct a detailed analysis of, and to prepare a report on, the global, the United States, China and the United Kingdom small household appliance markets. The report prepared by Frost & Sullivan is referred to in this prospectus as the Frost & Sullivan Report. We have agreed to pay Frost & Sullivan a fee of RMB780,000, which we believe reflects market rates for reports of this type.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the small household appliance market for prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the small household appliance market. Primary research involved in-depth interviews with leading industry participants and experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database and other data providers. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, official government publications and other publications. Under circumstances where information is not available, Frost & Sullivan leveraged models and indicators which they believe to be appropriate to arrive at an estimate.

Frost & Sullivan has prepared the Frost & Sullivan Report on the assumptions that (i) the global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) relevant industry key drivers are likely to drive the market in the forecast period. The reliability of the Frost & Sullivan Report may be affected by the accuracy of the foregoing assumptions.

OVERVIEW OF THE GLOBAL SMALL HOUSEHOLD APPLIANCE MARKET

Top global lifestyle brands have witnessed tremendous growth in recent years, fueled by elevated household income and wealth, strong consumer aspiration for a quality lifestyle, and technology-driven product innovations. The millennials have become the most influential force in the global consumer market, driving the trend towards branded lifestyle products. This generation of consumers are tech-savvy, experience-centric, and are more willing to make impulsive purchases.

Product categories characterized by high quality, convenience and time-saving have witnessed a rapid growth in the global consumer goods market, such as the emergence and prevalence of smart household appliances. Leading consumer product companies that are at the forefront of innovation are driving consumption trends and reshaping people's everyday lives.

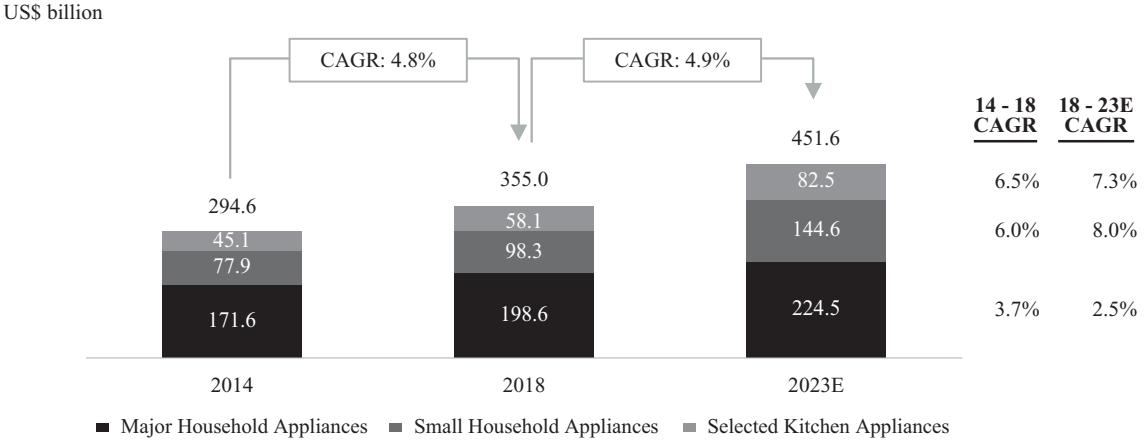
Global Small Household Appliance Market

The global household appliance market consists of major household appliances, small household appliances and selected kitchen appliances.

- Major household appliances include air conditioners, refrigerators and washing machines.
- Small household appliances can be classified into four categories: food preparation appliances such as high-performance multifunctional blenders, food processors and soymilk makers; cooking appliances such as multifunctional cookers, kettles and coffee and tea makers; home environment appliances such as vacuums and robotic vacuums; as well as personal care appliances such as hair dryers and electric toothbrushes.
- Selected kitchen appliances include water purifiers, dishwashers, range hoods, gas hobs, sterilizer cabinets and water heaters.

The market size of global small household appliances increased from US$77.9 billion in 2014 to US$98.3 billion in 2018, in retail sales value, with a CAGR of 6.0% and is expected to reach US$144.6 billion in 2023, with a CAGR of 8.0% from 2018 to 2023. Below sets forth the market size of global household appliances and the relevant segments in retail sales value from 2014 to 2023:

Global Household Appliance Market in Retail Sales Value by Category



Source: *Frost & Sullivan Report*

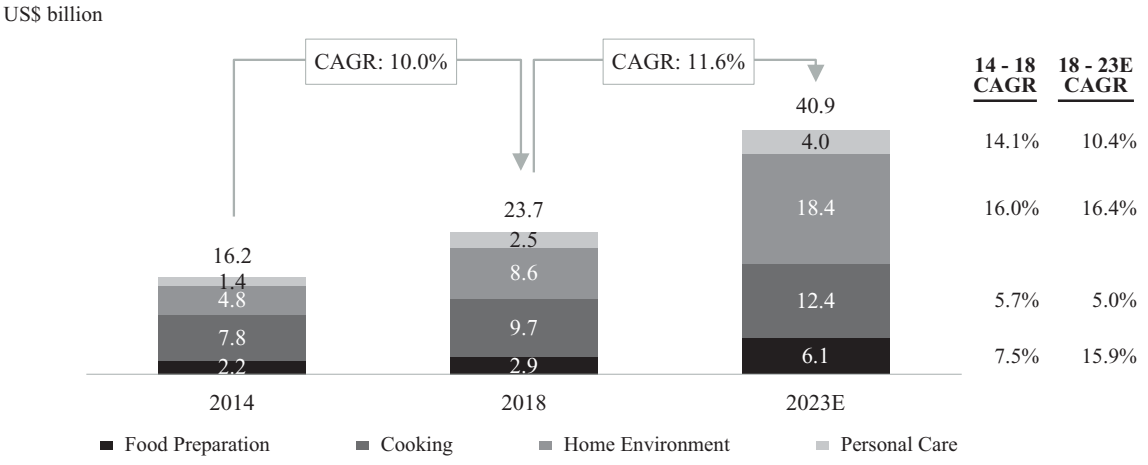
The faster growth in the small household appliance market compared to the major household appliance market is primarily attributable to the impulsive consumption nature and the higher purchase frequency of small household appliances, due to lower prices and more frequent new product introductions. With rising market penetration of smartphones and the internet, consumers are easily exposed to and influenced by digital marketing and the social media and can make instant purchases online.

The United States and China are the two largest markets in the global small household appliance industry, each contributing 25.5% and 24.1% of the global market share in 2018 in retail sales value.

CHINA SMALL HOUSEHOLD APPLIANCE MARKET

The market size of China's small household appliances in retail sales value increased from US$16.2 billion in 2014 to US$23.7 billion in 2018 with a CAGR of 10.0%, and is expected to reach US$40.9 billion in 2023 with a CAGR of 11.6% from 2018 to 2023. Below sets forth retail sales value of China's small household appliance market from 2014 to 2023:

China Small Household Appliance Market in Retail Sales Value by Category



Source: *Frost & Sullivan Report*

Food Preparation Appliances

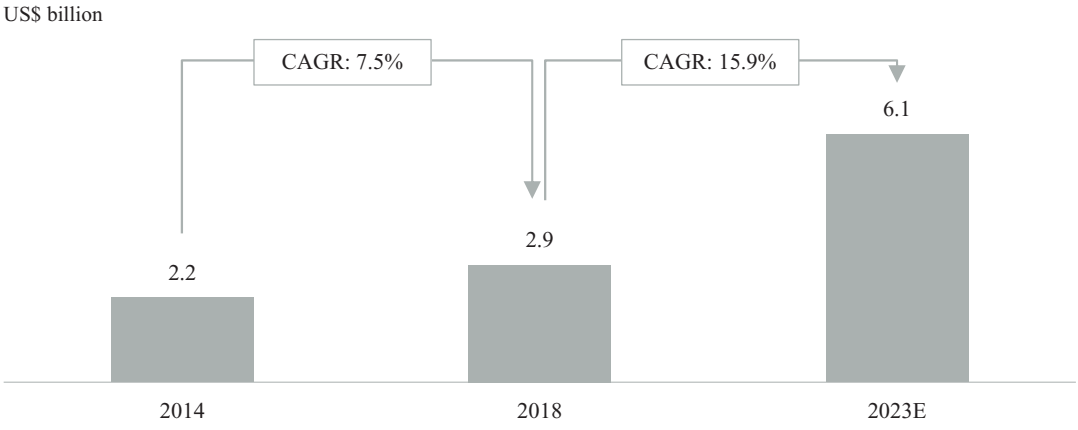
The market size of food preparation appliances in China, in retail sales value, increased from US$2.2 billion in 2014 to US$2.9 billion in 2018 with a CAGR of 7.5%, and is expected to reach US$6.1 billion in 2023 with a CAGR of 15.9% from 2018 to 2023.

High-performance multifunctional blenders are the major product category in the food preparation appliance market, accounting for a 58.4% market share in 2018. Driven by consumers' increasing health awareness and pursuit of enjoyable culinary experiences, high-performance multifunctional blenders have been the largest growth driver of China's food preparation appliance market in recent years. The market size of high-performance multifunctional blenders in China, in retail sales value, increased from US$254.3 million in 2014 to US$1,707.3 million in 2018 with a CAGR of 61.0%, and is expected to reach US$4,980.0 million in 2023 with a CAGR of 23.9% from

2018 to 2023. To meet diversified household demand, high-performance multifunctional blenders have evolved with more refined features such as low noise, LED touch screen, heating and self-cleaning capabilities.

In established markets, such as soymilk makers, companies have turned to product innovation to create new areas of demand. For example, Joyoung's K-series automatic soymilk makers are designed with the ultra-fine grinding technology to ensure instant and adequate grinding for better tastes and nutrition absorptions. The self-cleaning function brings a breakthrough solution to an age-old consumer pain point. Below sets forth retail sales value of China's food preparation appliance market from 2014 to 2023:

China Food Preparation Appliance Market in Retail Sales Value



Source: *Frost & Sullivan Report*

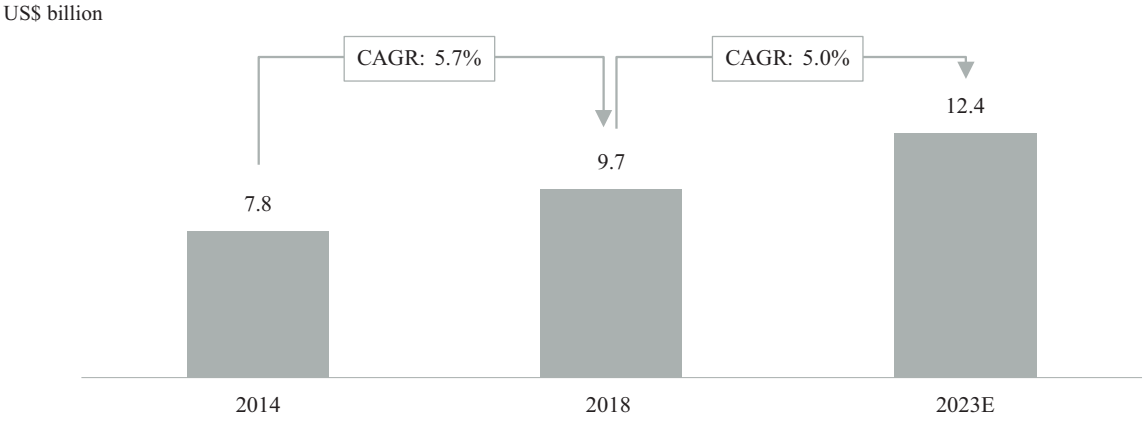
Cooking Appliances

The market size of cooking appliances in China in retail sales value increased from US$7.8 billion in 2014 to US$9.7 billion in 2018 with a CAGR of 5.7% and is expected to reach US$12.4 billion in 2023 with a CAGR of 5.0% from 2018 to 2023. Rice cookers and pressure cookers are the largest product category in the cooking appliance market, accounting for 40.8% market share in 2018. The combined market size of rice cookers and pressure cookers in China in retail sales value increased from US$3.4 billion in 2014 to US$4.0 billion in 2018 with a CAGR of 4.1% and is expected to reach US$4.6 billion in 2023 with a CAGR of 3.1% from 2018 to 2023. Despite the relatively high market penetration, the rise of consumer sophistication has driven continuous replacement needs in the cooking appliance market, with consumers seeking products with stronger performance, multifunctionality and better technology. For example, compared to traditional rice cookers, IH rice cookers allow for a higher, more precise and more uniform cooking temperature, which make better-tasting rice and enhance user experience. Between 2014 and 2018, the share of IH rice cookers in the broader rice cooker market increased from 28.8% to 47.0%, and is expected to further increase to 66.7% in 2023.

Kettles are the second largest product category in the cooking appliance market. Kettles can be classified into electric boilers, electric bottles and health pots. From 2014 to 2018, the kettle market grew at a CAGR of 12.2%, with most of the growth attributable to health pots. As Chinese consumers become increasingly health conscious, the concept of "health preservation" is getting widely accepted

by the general public. Industry players are bringing new technology and increased functionality to traditional single-purpose kettles. Consumers can use health pots to make tea, congee, and soup at home and in the office. Below sets forth retail sales value of China's cooking appliance market from 2014 to 2023:

China Cooking Appliance Market in Retail Sales Value



Source: *Frost & Sullivan Report*

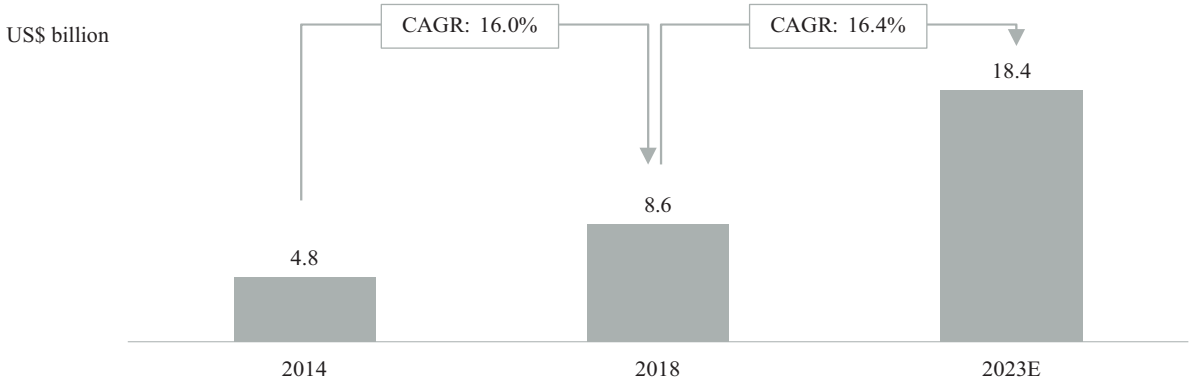
Home Environment Appliances

The market size of home environment appliances in China in retail sales value increased from US$4.8 billion in 2014 to US$8.6 billion in 2018 with a CAGR of 16.0%, and is expected to reach US$18.4 billion in 2023, with a CAGR of 16.4% from 2018 to 2023.

Vacuums and robotic vacuums combined are the largest product category in home environment appliances. In 2018, the market size of vacuums and robotic vacuums were US$1.8 billion and US$1.2 billion in retail sales value, respectively. The remarkable growth in cleaning products and, more specifically, the growth in vacuums and robotic vacuums, was the main driver of overall growth in home environment appliances between 2014 and 2018. Vacuums and robotic vacuums currently have low market penetration in China. Driven by prevailing consumption upgrades and the market's increasing recognition of their great convenience and positive user experience, vacuums and robotic vacuums are expected to grow with a CAGR of 25.2% and 30.8%, respectively, from 2018 to 2023.

Below sets forth retail sales value of China's home environment appliance market from 2014 to 2023:

China Home Environment Appliance Market in Retail Sales Value



Source: *Frost & Sullivan Report*

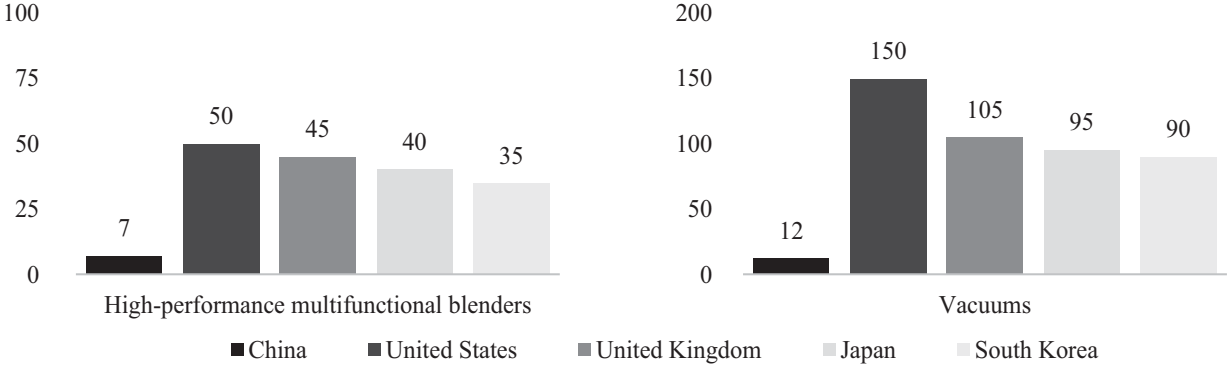
China Small Household Appliance Features and Trends

"Lazy economy" refers to a new type of consumption demand for products and services that are time-saving, labor-saving and convenient. As life pace accelerates, Chinese consumers, especially the millennials, are more reluctant to spend time on mundane household chores, such as cooking and cleaning. Smart household appliances, such as robotic vacuums, have emerged to meet people's demand for a more relaxed and easier life.

Rising Market Penetration

In most key small household appliance categories, China has a lower penetration rate compared to that of developed countries, indicating a significant growth potential. Below illustrates the penetration rate of selected small household appliances in China and in developed countries including the United States, the United Kingdom, Japan and South Korea in 2018.

Number of Small Household Appliance per 100 Households in China and Developed Countries



Source: *Frost & Sullivan Report*

The increase of household disposable income and rising living standards in China are expected to continue to drive the demand for small household appliances as consumers are more motivated to pursue a

quality lifestyle with more comforts, greater convenience and healthier options. On the supply side, with smaller number of product categories in China compared to developed markets and the relative ease to launch new products in the small household appliance market, leading industry players will continue to drive category expansion, stimulating further demand for small household appliances.

Consumption Upgrade and Stratification

With increasing disposable income and a rising middle class, the consumption upgrade trend in China has become more salient. Consumers in the mid- to high-end markets increasingly value product quality, functionality, ease of use and esthetic appearance, which lead to a rising demand for mid- to high-end products. In certain product markets such as rice cookers, high-performance multifunctional blenders and soymilk makers, both online and offline retail markets witnessed a noticeable upward trend in average selling price from 2016 to 2018, indicating market's increasing appetite for mid- to high-end products. On the other hand, value-for-money remains a key consideration for consumers in the low- to mid-end markets, who demand affordability along with functionality, feature and design.

As consumers associate well-known brands with high quality and performance, the market has witnessed a shift toward branded products and consolidations among the top household brands over the last five years. From 2014 to 2018, the combined market share of the top ten brands in China increased from 67.3% to 86.4% in retail sales value. Companies with strong brand recognition generally have significant pricing power in new product rollouts and upgrades.

New Retail

New retail is an emerging consumer-centric retail business model that integrates online and offline sales and distribution resources to enhance consumer experience by increasing efficiency of inventory management, supply chain management, product selection and logistics. Low unit price, high standardization and simple installation processes encourage online shopping for small household appliances than for large durables. Companies are implementing new strategies to meet such trends, expand consumer reach and improve consumer experiences. Top brands now acquire customer insights and conduct precision marketing at appropriate customer touch points and utilize social media to engage consumers and enhance customer stickiness.

As the tech-savvy millennials have become the major consumption force and as the internet and smartphone penetration rates have rapidly grown in China, e-commerce has witnessed remarkable growth in the recent decade. The number of internet users in China reached 829.0 million in 2018, with a CAGR of 6.3% between 2014 and 2018, and the number of mobile internet users in China reached 817.0 million in 2018, with a CAGR of 10.1% between 2014 and 2018.

From 2014 to 2018, essentially all of the growth in small household appliances came from online channels. In 2018, online sales contributed 53.5% of the total market sales in retail sales value, representing a CAGR of 26.5% between 2014 and 2018. From 2018 to 2023, online channels are expected to play an increasingly dominant role and are expected to account for 71.2% of small household appliance market sales in 2023.

Rise of IoT and Smart Technology

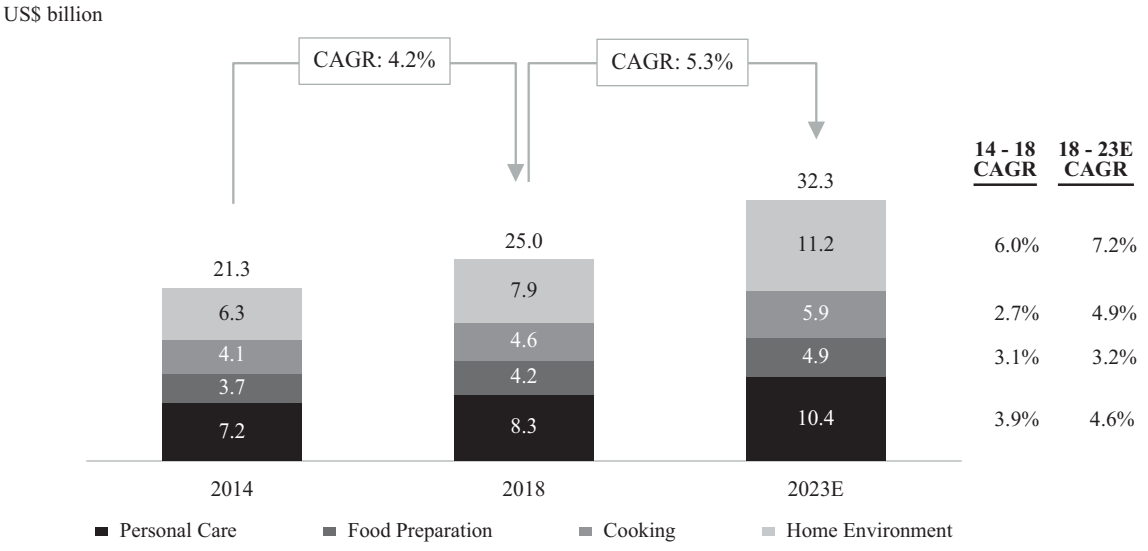
Tech-enabled products linked to mobile internet platforms have extended the functionality of small household appliances, reinvented living spaces and addressed the core consumer needs for

greater convenience, time-efficiency and greater customization. From 2014 to 2018, the market size of smart home devices in China witnessed a considerable growth at a CAGR of 25.7%, increasing from US$19.3 billion to US$48.2 billion in retail sales value. Attributed to the proliferation of IoT networks and a large mobile internet user base, the market size of smart home devices in China is further forecasted to reach approximately US$107.6 billion in retail sales value by 2023 with a CAGR of 17.4% from 2018 to 2023.

US SMALL HOUSEHOLD APPLIANCE MARKET

From 2014 to 2018, the US small household appliance market grew from US$21.3 billion to US$25.0 billion in retail sales value with a CAGR of 4.2% and is expected to reach US$32.3 billion in 2023, with a CAGR of 5.3% from 2018 to 2023. Below sets forth retail sales value of the US small household appliance market from 2014 to 2023:

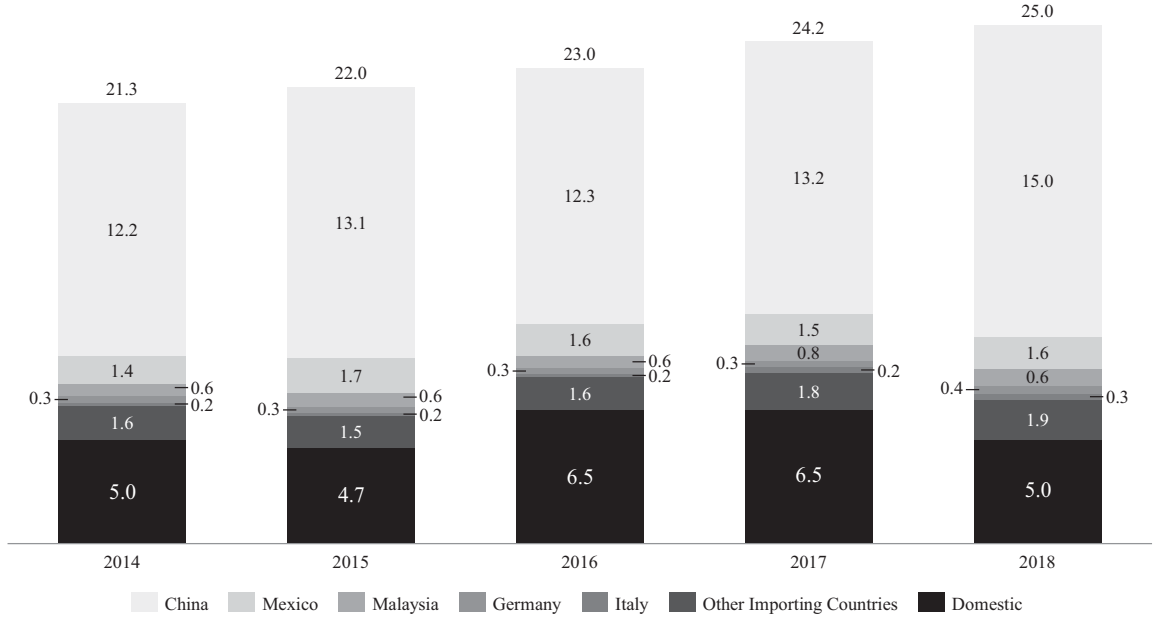
US Small Household Appliance Market in Retail Sales Value by Category



Source: *Frost & Sullivan Report*

Below sets forth retail sales value of the US small household appliance market by importing country from 2014 to 2018:

Retail Sales Value of US Small Household Appliance Market by Importing Country
US$ billion



Source: *Frost & Sullivan Report*

From 2014 and 2018, the majority of retail sales value in the US small household appliance market was attributable to imports from China. In 2018, imports from China contributed to approximately 60.0% of the retail sales value in the US small household appliance market.

Home Environment Appliances

Home environment appliances were the fastest-growing category within the small household appliance market in the United States by market share from 2014 to 2018. It is expected to continue leading the industry growth from 2018 to 2023. The market size of the US home environment appliance, in retail sales value, increased from US$6.3 billion in 2014 to US$7.9 billion in 2018 with a CAGR of 6.0%, and is expected to reach US$11.2 billion in 2023 with a CAGR of 7.2% from 2018 to 2023.

Vacuums are the largest product category in the US home environment appliance market with a 40.4% market share in 2018. With a high market penetration predominantly in upright vacuums, the overall US vacuum market has reached the stage of maturity, growing from US$2.9 billion in 2014 to US$3.2 billion in 2018 in retail sales value with a CAGR of 2.4%. Driven by an increasing number of smaller housing units, increasing demand for multifunctional products and the popularity of cordless stick vacuums, the market is expected to reach US$3.7 billion in 2023 in retail sales value with a CAGR of 3.1% from 2018 to 2023.

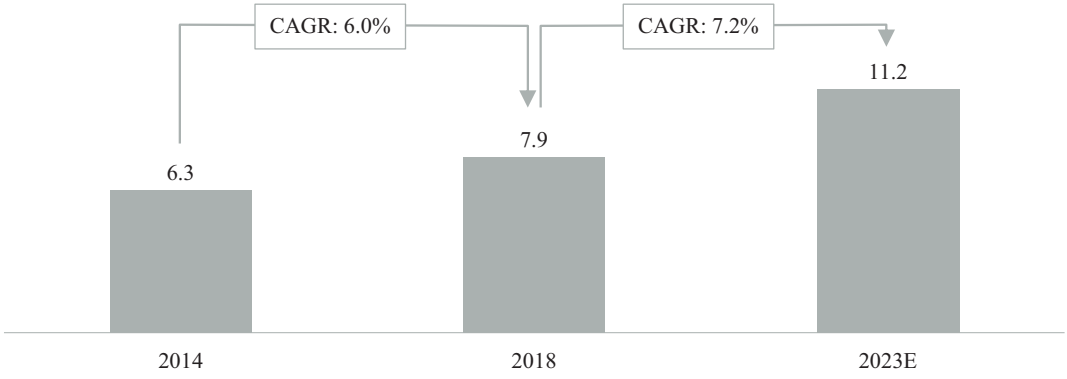
Upright vacuums are still the deep cleaning solution for carpeted floors with continuous upgrades to help reduce house cleaning time and optimize user experience. As the US households are moving towards hard floors, the need for "sprint cleaning" has increased the demand for cordless stick

vacuums. The ease of mobility and the lightweight feature of the cordless model have greatly expanded the vacuum's reach and applications in various scenarios.

Robotic vacuums, with a low penetration rate in the United States, are the fastest-growing product category in the home environment appliance market. As a supplement to upright and cordless stick vacuums to further liberate consumers from floor cleaning chores, the market witnessed a significant growth from US$444.1 million in 2014 to US$935.6 million in 2018, in retail sales value, with a CAGR of 20.5%, and is expected to reach US$2.3 billion in 2023 with a CAGR of 19.8% from 2018 to 2023. Smart technologies such as Wi-Fi connectivity, floor navigation and voice recognition have greatly enhanced the product performance and consumer experience, driving the strong sales of robotic vacuums. Below sets forth retail sales value of the US home environment appliance market from 2014 to 2023:

US Home Environment Appliance Market in Retail Sales Value

US$ billion



Source: *Frost & Sullivan Report*

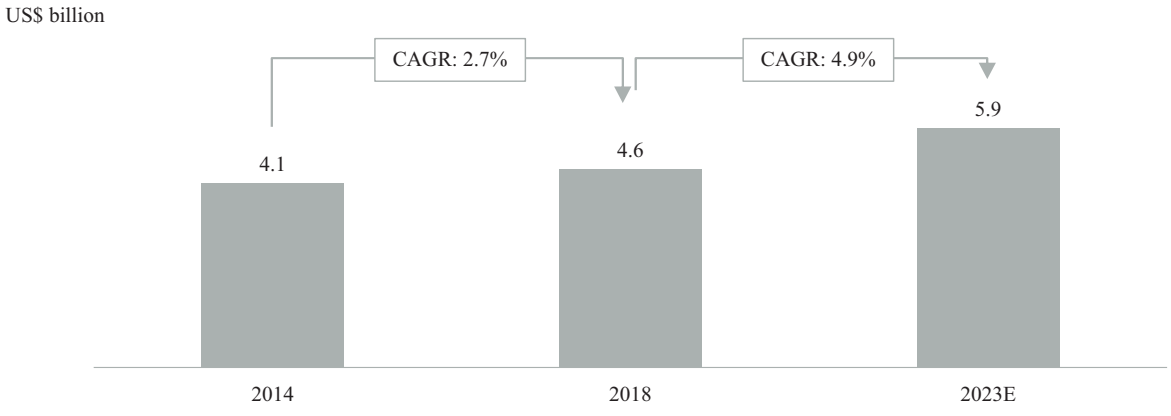
Cooking Appliances

The market size of cooking appliances in the United States, in retail sales value, increased from US$4.1 billion in 2014 to US$4.6 billion in 2018 with a CAGR of 2.7%, and is expected to reach US$5.9 billion in 2023 with a CAGR of 4.9% from 2018 to 2023. The millennials are now the new generation of cooking enthusiasts in the United States. Food related programs are one of the most watched content in the country. The millennials' desire for a healthier diet, experimentation, socializing and personal enjoyment have become an important motivation for home cooking. With cooking instructions and recipes readily available throughout social media, cooking has become accessible more than ever.

In cooking appliances, there has been a growing market for multifunctional cookers and counter-top ovens that have made cooking easier and more convenient for passionate but less savvy young cooks. Multifunctional cookers are one of the fastest-growing product categories, increasing from US$406.4 million in 2014 to US$598.4 million in 2018 in retail sales value with a CAGR of 10.2%, and are expected to reach US$1.2 billion in 2023 with a CAGR of 14.8% from 2018 to 2023. With continuous product developments, traditional cookers are transformed from a single-purpose appliance to a multifunctional cooking system with the capabilities for fast cooking, soup preparing and cake making. Coupled with the rising number of single person households, the sales of

multifunctional cookers are surging as this group of consumers tend to purchase a single appliance that satisfies various needs to save costs and storage space. The versatility that bundles air frying, pressure cooking and grilling into one cooking appliance and the advantages of rapid heating and ease of cleaning over traditional ovens make counter-top ovens popular among time-pressed urban citizens, lifting the overall oven market from US$647.6 million in 2018 to US$970.3 million in 2023 in retail sales value with a CAGR of 8.4% between 2018 and 2023. Below sets forth retail sales value of the US cooking appliance market from 2014 to 2023:

US Cooking Appliance Market in Retail Sales Value



Source: *Frost & Sullivan Report*

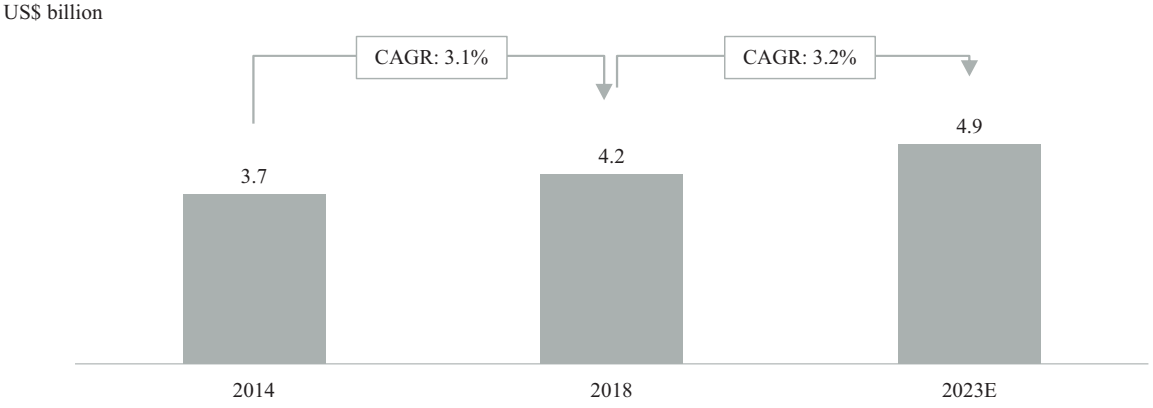
Food Preparation Appliances

The market size of food preparation appliances in the United States, in retail sales value, increased from US$3.7 billion in 2014 to US$4.2 billion in 2018 with a CAGR of 3.1% and is expected to reach US$4.9 billion in 2023 with a CAGR of 3.2% from 2018 to 2023.

High-performance multifunctional blenders and food processors are virtually must-have kitchen appliances to households in the United States, and are the largest product categories in the food preparation appliance market with a combined market share of 62.0% in 2018. The combined market size of high-performance multifunctional blenders and food processors increased from US$2.4 billion in 2014 to US$2.6 billion in 2018 with a CAGR of 2.0%, and is expected to reach US$2.8 billion in 2023 with a CAGR of 1.6% from 2018 to 2023.

To meet the market's increasing demands for convenience and ease of use, technological development has endowed high-performance multifunctional blenders and food processors with smarter and more user-friendly features, such as preset programs and built-in recipes, which help consumers to save time in food preparation and lower the entry barrier of cooking. Below sets forth retail sales value of the US food preparation appliance market from 2014 to 2023:

US Food Preparation Appliance Market in Retail Sales Value



Source: *Frost & Sullivan Report*

US Small Household Appliance Features and Trends

Technological Advancements

Frequent product upgrades in terms of technology, functionality, features and design are the main drivers for the increasing demand for product replacements, which provide new growth opportunities in the small household appliance market. For example, in the home environment category, battery and motor development are driving product innovations. With the improvement of battery performance and the decline in costs, the market is seeing a migration towards battery-powered appliances. The improvement in motor power and the reduction in size also improve the ease of mobility and practicality of cordless models. In the kitchen category, technology enhancements are taking place in heating elements that allow faster and higher heating temperatures and multifunctions through electronic controls.

Rise of Smart Technology

Smart technology built in small household appliances brings greater convenience and time-saving to consumers and creates new market demand. After years of technology development and market promotion, the smart home device market in the United States has entered into the mass market. The market size of US smart home devices experienced rapid growth, increasing from US$32.4 billion in 2014 to US$70.6 billion in 2018 in retail sales value with a CAGR of 21.5%, accounting for 38.7% of the global market in 2018. With an increasing adoption of integrated smart home solutions based on diversified application scenarios and enhanced product performances, the market is expected to reach US$147.5 billion in 2023 in retail sales value with a CAGR of 15.9% from 2018 to 2023.

Furthermore, the use of smart home technology greatly enhances direct interactions between users and products through intelligent devices such as smartphones, making the products a more integral part of people's daily lives. In addition, it creates a channel of instant feedback that directly

connects to the product development cycle. For example, smart technologies such as Wi-Fi connectivity, navigation control, algorithm development and usage tracking embedded in robotic vacuums enable consumers to control and monitor robotic vacuums from their smartphones and tablets. In addition, better broadband and greater internet penetration that will be brought by future upgrades such as the 5G network infrastructure, are expected to further increase the application of smart technologies in the small household appliance industry.

E-commerce

The development of online sales channels has boosted retail sales of small household appliances in the United States over the past years. Attributed to the increasing internet penetration and the adoption of mobile devices such as smartphones and tablets, consumers now rely more on digital channels to compare and purchase products. Small household appliances are popular online among consumers because of high product standardization and low average selling price.

Between 2014 and 2018, approximately 37.7% of the overall growth of the US small household appliance market by market share was from online channels. From 2014 to 2018, online sales in the US small household appliance market increased from US$3,021.4 million to US$4,441.5 million in retail sales value with a CAGR of 10.1%, accounting for 17.7% of the total market sales in 2018. From 2018 to 2023, online sales are expected to grow with a CAGR of 10.6%, contributing 22.8% of total market sales in 2023. In particular, most of the leading US retailers have begun operating their online platforms/websites to capture such growth. Companies are expected to further develop omni-channels to create seamless customer experiences in the future.

Social Media

Social media and digitalization have played an important role in increasing brand awareness, loyalty and customer base. The rise in mobile solutions and internet access has created new channels to expand consumer base, which also creates new opportunities such as providing constant and consistent content and advice, as well as building dedicated online communities to interact with consumers.

The increasing usage of social media as a customer engagement platform is becoming an important marketing strategy. The rise of key opinion leaders, user-generated content and digital information-sharing habits further facilitates direct and instant consumer interactions to spark curiosity and excitement among consumers and to further shape consumers' purchase behaviors. Online platforms such as YouTube and Facebook are becoming the mainstream for marketing campaigns. For example, companies are promoting kitchen appliances by sharing cooking recipes and user experience on online platforms to create market momentum on new product launches.

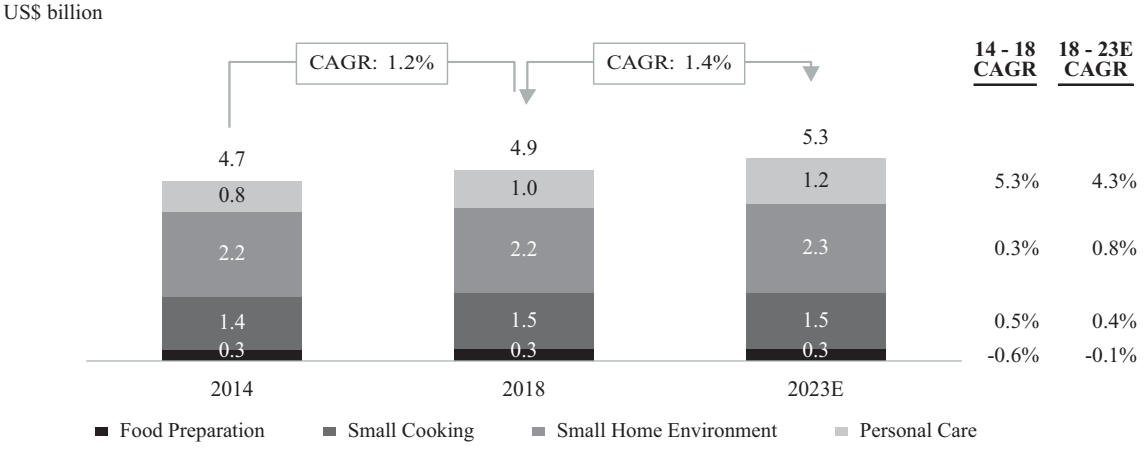
Moreover, social media offers companies a new channel to acquire deep customer insights and to conduct precision marketing toward targeted customers. By selecting appropriate social contents and audiences, small household appliance companies are able to reach their target customers, to build trust and to drive engagement, and are able to better predict market trends for future product developments.

UK SMALL HOUSEHOLD APPLIANCE MARKET

From 2014 to 2018, the market size of the UK small household appliances grew from US$4.7 billion to US$4.9 billion in retail sales value with a CAGR of 1.2% and is expected to reach US$5.3 billion in 2023, with a CAGR of 1.4% from 2018 to 2023.

Home environment appliances are the largest product category in the small household appliance market in the United Kingdom, with a 44.9% market share in retail sales value in 2018. Within home environment appliances, robotic vacuums saw a considerable growth from US$32.9 million in 2014 to US$65.2 million in 2018 in retail sales value with a CAGR of 18.7%, and are expected to reach US$124.9 million in 2023 with a CAGR of 13.9% from 2018 to 2023. Below sets forth retail sales value of the UK small household appliance market from 2014 to 2023:

UK Small Household Appliance Market in Retail Sales Value by Category



Source: *Frost & Sullivan Report*

UK Small Household Appliance Features and Trends

Similar to the US small household appliance market, the UK market sees noticeable trends including the growth of online channels, the increased use of social media, the shift toward premium and high value-added products, the increased demand for high esthetic appearance and the rise of IoT technology.

Because online sales channels reduce the costs of maintaining warehouses and means of transportation, the development of third-party logistics and e-commerce infrastructure is now a key driver in online sales for small household appliance-focused companies to scale up business. Moreover, by selecting appropriate social influencers based on the characteristics of the fan base and the audience that the influencers can reach, small household appliance companies are able to reach target consumers more efficiently, effectively and inexpensively, compared to the costs of promotions conducted by celebrities. Finally, the increases in disposable income levels and the continuous improvements in product quality and designs lead to an increase in consumer demand for premium and high value-added appliances.

China Water Purifier Market

Driven by consumers' rising health consciousness and concerns over domestic water quality, water purifiers are a fast-growing category in China's selected kitchen appliance market. The China water purifier market in retail sales value grew from US$1.7 billion in 2014 to US$4.9 billion in 2018, with a CAGR of 30.2% between 2014 and 2018 and is expected to reach US$12.4 billion in 2023, with a CAGR of 20.4% from 2018 to 2023.

COMPETITIVE LANDSCAPE

The markets we operate in are highly competitive. These markets are characterized by frequent product introductions and rapid technological advances. We generally compete with other household appliances companies. Principal competitive factors that are important to us include product features, relative price and performance, product quality and reliability, design innovation, brands, consumer experience, marketing and distribution capability, customer service and support and corporate reputation. Our main competitors include domestic and global household appliance industry leaders.

Global Small Household Appliance Market

The retail sales value of global small household appliance market reached US$98.3 billion in 2018, with a CAGR of 6.0% between 2014 and 2018. The market share remains relatively concentrated where the top ten small household appliance companies accounted in aggregate for 60.0% of global market with retail sales value of US$58.9 billion.

In 2018, JS Global ranked 6th in the global small household appliance market in terms of market share, and ranked 3rd among the small household appliance-focused companies which generated over 50% of their respective revenue in 2018 through sales of small household appliances. The following table sets forth relevant information of the top ten global small household appliance companies in 2018:

Ranking	Company	Retail Sales Value (US$ Billion)	Market Share (%)
1	A	10.1	10.3
2	B	8.8	8.9
3	C	8.1	8.2
4	D	6.9	7.0
5	E	6.2	6.3
6	JS Global	4.4	4.5
7	F	4.1	4.1
8	G	4.0	4.1
9	H	3.3	3.3
10	I	3.2	3.3

■ Small Household Appliance-Focused Company

China Small Household Appliance Market

China's small household appliance market reached US$23.7 billion in 2018. The market share is relatively concentrated with the top five companies controlling 67.8% of the market in 2018 in retail sales value. The following table sets forth relevant information of the top five China small household appliance companies in 2018:

Ranking	Company	Retail Sales Value (US$ Billion)	Market Share (%)
1	B	8.8	37.0
2	J	2.4	9.9
3	JS Global	2.1	8.8
4	A	1.5	6.2
5	E	1.4	6.0

US Small Household Appliance Market

The US small household appliance market reached US$25.0 billion in 2018. The market share is less concentrated with the top five companies controlling 36.7% of the total market share in 2018 in terms of retail sales value. According to Frost & Sullivan, four out of the top five US small household appliance companies in 2018, namely, JS Global, A, K and L in the table below, imported products from China and therefore have been affected by the additional US customs duties. The following table sets forth relevant information of the top five US small household appliance companies in 2018:

Ranking	Company	Retail Sales Value (US$ Billion)	Market Share (%)
1	C	2.5	10.0
2	JS Global	2.0	8.1
3	A	1.7	6.6
4	K	1.5	6.1
5	L	1.5	5.9

ENTRY BARRIERS AND CHALLENGES

Distribution Channel

A well-established distribution network with a retail shelf space advantage is critical to capture opportunities in category expansion. Retailers, distribution resources and relationship building are important in establishing the sales and distribution network. In addition, it is essential for companies to have an omni-channel sales and distribution network that integrates online and offline resources as the online sales channels become increasingly popular and constitute a larger share in growth than offline sales channels.

Supply Chain Management

Frequent new product introductions and upgrades require a flexible production capability to match constantly evolving business needs. Continuous technological advancements in small household appliances impose increasingly stringent requirements on suppliers. With large and growing numbers of SKUs, companies that seek entry need strong supply chain management to ensure consistent high quality and effective cost control.

Brand Power

Top household brands command strong pricing power to ride the premiumization trend. Powerful brands are more effective in attracting and retaining customers through consumer engagements, which lead to greater brand loyalty. To penetrate the small household appliance market, companies need to place resources on brand building and develop their global marketing capabilities to market multiple categories of products across different markets around the globe. Existing, well-known brands, as well as the time and financial resources required to build a brand, may pose a challenge to companies trying to enter the industry.

Technology Capability

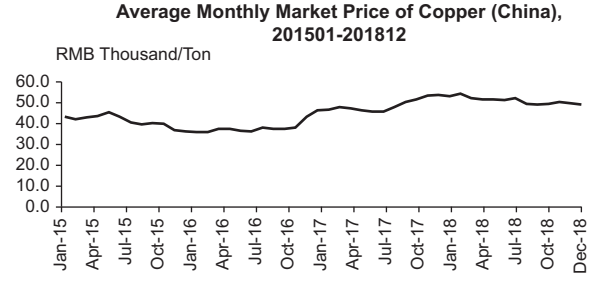
The industry requires frequent introductions of new products and upgrades. Therefore, companies need to have strong global R&D capabilities and knowledge of key technologies to compete effectively. In addition, companies may need to obtain cutting-edge technology patents to build up their own competitive advantages in the industry. Finally, companies may need to develop big data

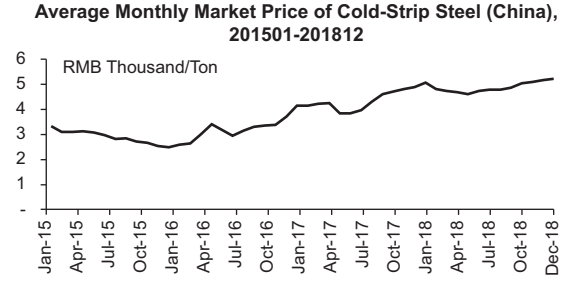
analytics capabilities to drive product design and other business decisions. New joiners are forced to either license processes and technology from established companies or tie up capital in an attempt to match established companies' capabilities.

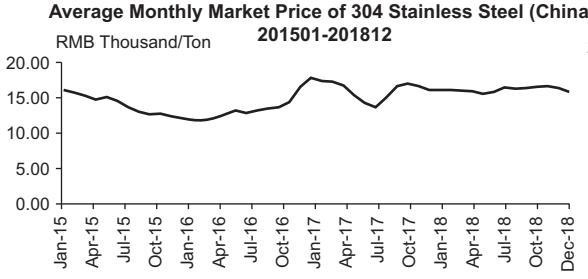
RAW MATERIALS ANALYSIS

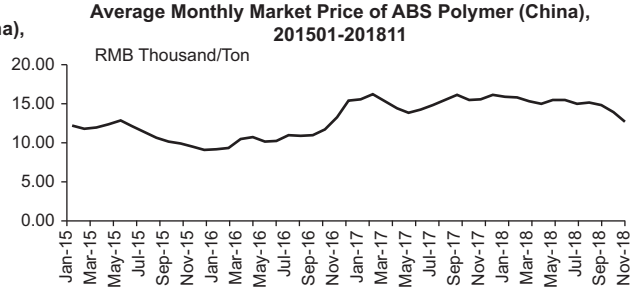
The major raw materials used in the production of Joyoung small household appliances and their core components include various types of copper, cold-strip steel, 304 stainless steel and ABS polymer. If the average market price of raw materials increases considerably or the major production factors experience large fluctuations due to changes in the macro economy, supply and demand and market expectation, it is likely that the revenue performance of small household appliance manufacturers will be negatively influenced, which an improving productivity and a rising retail sales price could not fully offset.

The following graphs set forth historical prices of major raw materials for small household appliances for the periods indicated, which summarize the monthly market price of copper, cold-strip steel, 304 stainless steel and ABS polymer in China for periods indicated:









PRC REGULATORY OVERVIEW

The PRC laws and regulations that have a significant impact on our business operations are set out below:

Laws and Regulations on Foreign Investment

PRC Company Law

The PRC Company Law was promulgated by the Standing Committee of the National People's Congress (the "NPC Standing Committee") on December 29, 1993 and implemented on July 1, 1994, and was subsequently revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Limited liability companies and joint stock limited companies established in China are governed by the PRC Company Law. Foreign-invested enterprises shall also be governed by the PRC Company Law, except as otherwise provided in the foreign investment laws including the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) (the "WFOE Law"), the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) (the "EJV Law"), the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) (the "CJV Law"), and the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "Foreign Investment Law").

WFOE Law and EJV Law

The WFOE Law was promulgated and implemented on April 12, 1986, and its first revision dated October 31, 2000 went into effect on the same date and its second revision dated September 3, 2016 went into effect on October 1, 2016. In addition, the Detailed Rules for The Implementation of the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》) (the "WFOE Law Implementation Rules") was promulgated and implemented on December 12, 1990, and subsequently revised on April 12, 2001 and February 19, 2014. The EJV Law was promulgated and implemented on July 8, 1979, and subsequently revised on April 4, 1990, March 15, 2001 and September 3, 2016. The latest revised EJV Law was implemented on October 1, 2016; the Regulations for the Implementation of the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法實施條例》) (the "CJV Law Implementation Rules") was promulgated and implemented on September 20, 1983, and subsequently revised on January 15, 1986, December 21, 1987, July 22, 2001, January 8, 2011 and February 19, 2014. The latest revised CJV Law Implementation Rules was promulgated and implemented on March 2, 2019.

The WFOE Law, EJV Law and the relevant implementation rules stipulate the procedures for the establishment of wholly foreign-owned enterprises and sino-foreign equity joint ventures, the relevant registered capital (including their registered capital shall be paid by foreign investors, and the liability of foreign investors is limited to the amount of registered capital they agree to pay), foreign exchange control, accounting, taxation, employment and other relevant matters. For establishment of a foreign-invested enterprise which is not subject to the implementation of special administrative measures for access as prescribed by the state, the foreign-invested enterprise shall be subject to filing procedures.

According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises《外商投資企業設立及變更備案管理暫行辦法》 which was

promulgated and implemented by the MOFCOM on October 8, 2016, and subsequently revised on July 30, 2017 and June 30, 2018, for the changes of a foreign-invested enterprise which is not subject to the implementation of special administrative measures for access as prescribed by the state, the designated representatives or entrusted agents of the foreign-invested enterprise shall proceed with online filing procedures within 30 days upon the occurrence of the change matters.

Foreign Investment Law

The NPC Standing Committee promulgated the Foreign Investment Law on March 15, 2019, which will come into effect on January 1, 2020 and replace the WFOE Law, EJV Law and CJV Law as the basic law on foreign investment in the PRC.

According to the Foreign Investment Law, the state implements the management scheme of pre-establishment national treatment along with a negative list with respect to foreign investment, i.e. foreign investors shall not invest in any field prohibited by the Special Administrative Measures for Foreign Investment Access (the "Negative List"); for any field with investment restricted by the Negative List for foreign investment, foreign investors shall meet the investment conditions stipulated under the Negative List; any field that does not fall within the Negative List shall be administered under the principle of consistency between domestic and foreign investment.

The Foreign Investment Law further stipulates that such as the foreign investors' capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, legally obtained compensation or indemnification, and liquidation income that are made or obtained in China, may be freely remitted in or out of China in RMB or foreign exchange according to law. In addition, the state protects the intellectual property rights of foreign investors and foreign-invested enterprises, and the legitimate rights and interests of intellectual property rights holders and relevant rights holders; the formulation of normative documents concerning foreign investment by governments at various levels and their relevant departments shall comply with the provisions of laws and regulations; without the basis of laws and administrative regulations, they shall not reduce and prejudice the legitimate rights and interests of foreign-invested enterprises or increase their obligations, or set conditions for market access and exit, or interfere with the normal production and operation activities of foreign-invested enterprises.

Encouraged Foreign Investment Catalog and Negative List

On June 30, 2019, the NDRC and the MOFCOM promulgated the Encouraged Foreign Investment Catalog (2019 Edition)《鼓勵外商投資產業目錄（2019年版）》(the "2019 Encouraged List") and the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition) 《外商投資准入特別管理措施（負面清單）（2019年版）》(the "2019 Negative List"), both implemented on July 30, 2019. Industries which are listed in the 2019 Encouraged List shall be categorized as encouraged industries for foreign investment, foreign investors and foreign-invested enterprises may enjoy preferential treatments according to laws and administrative regulations. Industries which are neither listed in the 2019 Encouraged List nor in the 2019 Negative List shall be categorized as the permitted industries for foreign investment. The industries in which our PRC subsidiaries are primarily engaged do not fall into the 2019 Negative List.

Laws and Regulations Relating to Product Quality

Product Quality Responsibility

In accordance with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the "Product Quality Law") which was promulgated by the NPC Standing Committee on February 22, 1993 and implemented on September 1, 1993, and subsequently revised on July 8, 2000, August 27, 2009 and December 29, 2018, the engagement in product manufacturing and sales activities in China shall abide by the Product Quality Law. Producers and sellers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the function they are supposed to have, except where there are explanations about the functional defects; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples.

In case of violation of the provisions of the Product Quality Law, the market supervision and management department has the right to order producers and sellers to stop production and sales, confiscate products that are illegally produced or sold and impose fines. In case of serious circumstances, the business license of a producer or seller will be revoked. Those who constitute a crime will be held criminally liable.

According to the Tort Law of People's Republic of China (《中華人民共和國侵權責任法》) which was promulgated by the NPC Standing Committee on December 26, 2009 and implemented on July 1, 2010, a manufacturer shall bear tort liability if its product causes damage to others due to a defect. If a product is defective due to the fault of the seller and results in damage to others, the seller shall bear tort liability. If the seller is unable to name the manufacturer or supplier of the defective product, the seller shall bear tort liability. In the event of damage being caused by a defective product, the infringed may seek compensation from either the manufacturer or the seller of the said product.

CCC

In accordance with the Regulations on Certification and Accreditation of the People's Republic of China (《中華人民共和國認證認可條例》) which was promulgated by the State Council on September 3, 2003, implemented on November 1, 2003 and subsequently revised on February 6, 2016 and the Regulations on the Administration of Compulsory Product Certification (2009) (《強制性產品認證管理規定 (2009)》) which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on July 3, 2009 and implemented on September 1, 2009, products specified by the state shall not be delivered, sold, imported or used in other business activities until they are certified (the "Compulsory Certification") and labeled with compulsory certification mark. For products that are subject to Compulsory Certification, the state implements unified product catalogs, unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards. Producers, sellers and importers of the products listed in the catalogs shall entrust a certification body designated by the Certification and Accreditation Administration of the PRC (the "CNCA") to certify the products they produce, sell or import. If the certification requirements are met, the certification body shall issue a certificate to the client. The certificate is valid for 5 years and can be re-applied after the expiration of the validity period.

According to the Catalog of Descriptions and Table of Definitions for Compulsory Product Certification (2014 Revision) (《強制性產品認證目錄描述與界定表（2014修訂）》) which was promulgated by the CNCA and implemented on December 16, 2014 and the Announcement of the SAMR and CNCA on Further Implementation of the Reform of Compulsory Product Certification Catalog and Implementation Method (《市場監管總局、認監委關於進一步落實強制性產品認證目錄及實施方式改革的公告》) which was jointly promulgated by the SAMR and the CNCA and implemented on December 3, 2018, products including electric food processing equipment are products subject to Compulsory Certification.

Laws and Regulations on Food Safety

According to the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) (the "Food Safety Law") which was promulgated by the NPC Standing Committee on February 28, 2009 and implemented on June 1, 2009, and subsequently revised on April 24, 2015 and December 29, 2018, and the Regulations on the Implementation of the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》) (the "Implementation Regulations of Food Safety Law") which was promulgated by the State Council on July 20, 2009 and implemented on the same date and subsequently revised on February 6, 2016 and October 11, 2019 enterprises engaged in food production and processing, food sales and catering services, as well as the production and operation of packaging materials, containers, detergents and disinfectants used for food, and the tools and equipment used for food production and operation, etc. in China, shall comply with the provisions of the Food Safety Law and the Implementation Regulations of Food Safety Law and shall be responsible for the safety of the food and food related products which are subject to their production and operation. The food related products shall be produced in accordance with the laws, regulations and national food safety standards, and shall be subject to and pass inspection conducted in accordance with food safety standards before delivery or sales.

Laws and Regulations on Protection of Consumer Rights and Interests

Law on the Protection of the Rights and Interests of Consumer

Pursuant to the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumer (《中華人民共和國消費者權益保護法》) (the "Law on the Protection of the Rights and Interests of Consumer") which was promulgated by the NPC Standing Committee on October 31, 1993 and implemented on January 1, 1994, and subsequently revised on October 25, 2013, the operators to provide consumers with the goods they produce or sell or to provide services shall comply with the Law on the Protection of the Rights and Interests of Consumer. Operators shall bear civil liability where a defect exists in a product or service; where a product does not possess the functions it is supposed to possess, and no declaration thereof is made at the time of sale; where the product standards indicated on a product or on the package of such product are not met; where the quality condition indicated by way of product description or physical sample, etc. is not met; where products that have been formally declared by the State to be obsolete are produced or expired or deteriorated products are sold; where the products sold are short on quantity; or where the contents and costs of the services are in violation of the agreement; where consumers' requests for repair, redoing, replacement, return, making up the quantity of a product, refund of payment for the products or services, or claims for compensation have been deliberately delayed or unreasonably rejected. Operators who fail to fulfill the security obligations and causes harm to consumers shall bear tort liability. If an operator's provision of goods or services violates the provisions of the Law on the Protection of the Rights and Interests of Consumer and infringes upon the legitimate rights and

interests of consumers, which constitutes a crime, the operator shall be held criminally liable according to law.

Laws and Regulations on Import and Export

Import and Export Management

Pursuant to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) which was promulgated by the NPC Standing Committee on May 12, 1994 and implemented on July 1, 1994, and subsequently revised on April 6, 2004 and November 7, 2016, and the Measures for the Record and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on June 25, 2004 and implemented on July 1, 2004, and subsequently revised on August 18, 2016, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator. Pursuant to the Customs Law of the People's Republic of China (《中華人民共和國海關法》) which was promulgated by the NPC Standing Committee on January 22, 1987 and implemented on July 1, 1987, and subsequently revised on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016 and November 4, 2017, and the Administrative Provisions of the General Administration of Customs of the People's Republic of China on the Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) which was promulgated by the General Administration of Customs on March 13, 2014 and implemented on the same date, and subsequently revised on December 20, 2017 and May 29, 2018, the customs is the state's entry and exit customs supervision and administration authority. The consignor or consignee of import and export goods and the declaration enterprise shall register with the customs office according to law when handling the declaration procedure. No declarations may be made without registering with the customs.

Imported and Exported Commodities Inspection

According to the Law of the People's Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) which was promulgated by the NPC Standing Committee on February 21, 1989 and implemented on August 1, 1989, and subsequently revised on April 28, 2002, June 29, 2013, April 27, 2018 and December 29, 2018, and the Regulations for the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) which was promulgated by the State Council on August 31, 2005 and implemented on December 1, 2005, and subsequently revised on July 18, 2013, February 6, 2016, March 1, 2017 and March 2, 2019, the General Administration of Customs is responsible for inspection of import and export commodities. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export commodities listed in the catalog and other import and export commodities that shall be subject to the inspection of the entry-exit inspection organs as prescribed by laws and administrative regulations. For the import and export commodities other than those that are subject to statutory inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities may conduct random inspection in accordance with state regulations. No import commodity subject to statutory inspection that has not been inspected may be sold or used. No export commodity subject to statutory inspection that has not been inspected or fails to pass the inspection may be exported.

Laws and Regulations on Production Safety

Production Safety Law

According to the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) (the "Production Safety Law") which was promulgated by the NPC Standing Committee on June 29, 2002 and implemented on November 1, 2002, and subsequently revised on August 27, 2009 and August 31, 2014, entities engaged in production and business activities in China must abide by the Production Safety Law and other laws and regulations related to production safety by strengthen the administration, set up and improve the responsibility system and improve the conditions correspondingly, push forward the development of production safety standards, and raise the production safety level for it to guarantee production safety. The primary persons in charge of the production and operation entities are fully responsible for the production safety of their entities.

Laws and Regulations on E-commerce

E-commerce Law

Pursuant to the E-Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) (the "E-Commerce Law") which was promulgated by the NPC Standing Committee on August 31, 2018 and implemented on January 1, 2019, the e-commerce operators refer to natural persons, legal persons or unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators, and other e-commerce operators that sell commodities or offer services through a self-built website or any other network services. E-commerce operators to engage in operating activities shall abide by the principles of voluntariness, equality, fairness and integrity, abide by laws and business ethics, participate in market competition fairly, and discharge obligations in terms of protection of consumer rights and interests, environmental protection, intellectual property protection, and network security and personal information protection. They shall be responsible for the quality of products and services and accept supervision by the government and society.

Laws and Regulations on Anti-unfair Competition

Anti-unfair Competition Law

According to the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the "Anti-unfair Competition Law") which was promulgated by the NPC Standing Committee on September 2, 1993 and implemented on December 1, 1993, and subsequently revised on November 4, 2017 and April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators shall not conduct misleading behaviors which may confuse consumers to take their commodities as the commodities of others or lead consumers to believe that there is a connection between their commodities and other persons. Operators shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers. Operators shall not help other operators to conduct false or misleading commercial publicity by organizing false

transactions. Operators shall not infringe on trade secrets. Operators shall not fabricate or disseminate false or misleading information or damage the business reputation of the competitors or their goods. Operators engaging in production or operations activities online shall also abide by the provisions of the Anti-unfair Competition Law. No operator may, by technical means to affect users' options, among others, commit the acts of interfering with or sabotaging the normal operation of online products or services legally provided by another operator. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

Anti-Monopoly Law

According to the Anti-Monopoly Law of the People's Republic of China (《中華人民共和國反壟斷法》) (the "Anti-Monopoly Law") which was promulgated by the NPC Standing Committee August 30, 2007 and implemented on August 1, 2008, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competitions. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. The anti-monopoly law enforcement agencies of the State Council may, according to the needs of their work, authorize the corresponding agencies of the people's governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the anti-monopoly law enforcement agencies to stop the illegal act and be imposed a fine.

Laws and Regulations on Environmental Protection

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (the "Environmental Protection Law") which was promulgated by the NPC Standing Committee on December 26, 1989 and implemented on the same date, and subsequently revised on April 24, 2014, the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) (the "Environmental Impact Assessment Law") which was promulgated by the NPC Standing Committee on October 28, 2002 and implemented on September 1, 2003, and subsequently revised on July 2, 2016 and December 29, 2018, and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) (the "Regulations on Environmental Protection Administration") which was promulgated by the State Council on November 29, 1998 and implemented on the same date, and subsequently revised on July 16, 2017, enterprises, public institutions and other producers and operators shall prevent and reduce environmental pollution and ecological damage, and shall take the liabilities for the damages caused according to the laws. The state adopts the pollution discharge permit management system. Enterprises, public institutions and other producers and operators which are subject to the pollution discharge permit management shall discharge pollutants according to the requirements of the pollution discharge permit; and those that fail to obtain the pollution discharge permit shall not discharge pollutants. In addition, the state implements a system to assess the environment impact of construction projects. If the construction project may result in a material impact on the environment, a thorough environmental impact report on the potential environmental impact is

required; if the construction project may result in only slight impact on the environment, an environmental impact statement of analyzing or special evaluation will be required; if the construction project may only result in very little impact on the environment and no environmental impact appraisal is required, a registration form of environmental impact shall be filed. Construction projects without undergoing assessment for environmental impact according to the laws cannot commence construction. After the completion of the construction projects for which environment effect report and environment effect statement was prepared, a construction unit shall, according to the standards and procedures formulated by the competent administrative department for environment protection under the State Council, conduct inspection and acceptance of supplementary environment protection facilities, and prepare inspection and acceptance report. No supplementary facilities of such projects may be put into production or use until such facilities pass inspection and acceptance; no supplementary facilities that failed to undergo or pass the inspection and acceptance procedure may be put into production or use.

If an enterprise violates the provisions of the abovementioned pollutant discharge standards, environmental impact assessment system, and other provisions of the Environmental Protection Law, the Environmental Impact Assessment Law and the Regulations on Environmental Protection Administration, the environmental protection administrative departments at the county level or above may order it to stop production or construction, impose a fine and order it to conduct rehabilitation; if a crime is constituted, the enterprise may be held criminally liable according to law.

Laws and Regulations on Foreign Exchange

Foreign Exchange Administration

The Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), which was promulgated by the State Council on January 29, 1996 and implemented on April 1, 1996, and subsequently revised on January 14, 1997 and August 5, 2008, constitutes an important legal basis for the PRC governmental authorities to supervise and regulate foreign exchange. On June 20, 1996, the People's Bank of China further promulgated the Provisions on the Settlement and Sale and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Provisions") which was implemented on July 1, 1996.

Pursuant to the Foreign Exchange Control Regulations and the Settlement Provisions, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade, service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the SAFE and/or its competent local branches is obtained. Chinese foreign-invested enterprises can only conduct settlement, sales and payment of foreign exchange with the designated banks after provision of valid commercial documents and (in case of capital account transactions) the approval by the SAFE.

On November 19, 2012, the SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "Circular 59"), which became effective on December 17, 2012 and was amended on May 4, 2015 and October 10, 2018. Circular 59 substantially amends and simplifies the current foreign exchange procedure. The opening of pre-establishment expenses account, foreign exchange capital account, assets realization account and deposit account no longer requires the approval of the SAFE. Circular 59 further cancels the restrictions on the opening and number of foreign exchange capital accounts in other places. Meanwhile, under Circular 59,

reinvestment by foreign-invested companies in China no longer requires completion of foreign exchange registration procedures.

On May 10, 2013, the SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) (the "Circular 21") which was implemented on May 13, 2013 and revised on October 10, 2018. Circular 21 specifies that the direct investment by foreign investors in China shall be conducted by way of registration. Institutions and individuals shall register with the SAFE and/or its branches for their direct investment in China. Banks shall process foreign exchange business relating to the direct investment in China based on the registration information provided by the SAFE and its branches.

On February 13, 2015, the SAFE released the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "Circular 13") which was implemented on June 1, 2015. Under the Circular 13, two administrative approval items, namely, foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, were canceled, and the foreign-exchange procedures of certain direct investments have been further simplified. Instead, banks review and carry out foreign exchange registration under domestic direct investment and overseas direct investment directly. The SAFE and its branches implement indirect supervision over foreign exchange registration of direct investment via the banks.

On March 30, 2015, the SAFE released the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "Circular 19") which was implemented on June 1, 2015. On June 9, 2016, the SAFE promulgated and implemented the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》) (the "Circular 16"). Under the Circular 19 and the Circular 16, the settlement of foreign exchange capital by foreign invested enterprises shall be conducted according to the method of discretional foreign exchange settlement. The Circular 19 and Circular 16 further stipulate that the use of capital of a foreign-invested enterprise and its settled RMB funds shall follow the genuine and self-use principle within the business scope of the enterprise. Unless otherwise set forth in laws and regulations, the capital of a foreign-invested enterprise and its settled RMB funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of the enterprise or the expenditures forbidden by PRC laws and regulations, or used to grant loans to non-affiliated enterprises, or for investment in securities directly or indirectly, or construction or purchase of real estate for purpose other than self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "Circular 28") which was implemented on the same date. Under the Circular 28, besides foreign-invested enterprises engaged in investment business, other foreign-invested enterprise are also permitted to make domestic equity investments with their capital funds under the condition that the 2019 Negative List are not violated and the relevant domestic investment projects are true and compliant.

SAFE Circular 37

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "Circular 37") on July 4, 2014. The Circular 37 requires domestic residents (including domestic institutions and domestic individual residents) to register with the SAFE and its branches in connection with their direct establishment or indirect control of an offshore entity (the "SPV"), for the purpose of overseas investment and financing, with such domestic residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. The Circular 37 further stipulates that the change of registration for overseas investment foreign exchange shall be completed in a timely manner, and such changes shall include the change of basic information of the registered SPV such as individual shareholder, name and business period, or its capital increase, decrease, equity transfer or replacement, merger or division and other important matters. After the registration of the abovementioned changes is completed, the follow-up business such as remitting back of profits and dividends can be processed. Failure to comply with the relevant provisions of the Circular 37 may result in liability under the PRC law for violations of foreign exchange administration.

According to the Circular 13, the authority to handle foreign exchange registration of the SPVs of domestic individual residents has been delegated to banks by the SAFE and its branches.

Equity Incentive Plans

Under the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法》) which was promulgated by the People's Bank of China on December 25, 2006 and implemented since February 1, 2007, the SAFE and its branches supervises and manages individuals' domestic and cross-border foreign exchange transactions. In addition, according to the Circular on Issues relating to Foreign Exchange Administration for Domestic Individuals Participation in Equity Incentive Plans of Overseas-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) which was promulgated and implemented on February 15, 2012 by the SAFE, domestic individuals, including both Chinese citizens (including citizens of Hong Kong, Macau and Taiwan) and foreign individuals, who are the directors, supervisors, senior management or other employees of overseas listed companies registered in China, or domestic branches (or representative offices) of overseas listed companies, or parent companies, subsidiary companies, partnerships or other domestic institutions that directly or indirectly control or are controlled by overseas listed companies (collectively, the "domestic companies"), if they participate in equity incentive plans of the same overseas listed company, shall (i) through the domestic companies they serve, collectively entrust a domestic agency (which shall be a domestic company participated in the plans or other domestic agency as selected by the domestic companies according to law which can engage in assets trusteeship) to handle issues like foreign exchange registration, account opening, funds transfer and exchange, and (ii) entrust an overseas institution to handle issues like exercise of options, purchase and sale of related stocks or equity, and funds transfer.

In accordance with the SAFE Circular 37 and Circular 13, where a non-listed SPV uses its own equity interests or options to grant equity incentives to the directors, supervisors and senior management of a domestic enterprise under its direct or indirect control, as well as to other employees in employment or labor relationships with the aforementioned company, relevant domestic resident individuals may, before exercising their rights, submit relevant materials to banks for foreign exchange registration relating to the SPV.

Laws and Regulations on Taxation

Income Tax

As we carry out our PRC business operations through operating subsidiaries established under the PRC law, our PRC operations and our operating subsidiaries in China are subject to PRC tax laws and regulations.

According to the EIT Law, which was promulgated by the NPC on March 16, 2007 and implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018, and the Implementation Regulations of EIT Law, which was promulgated by the State Council on December 6, 2007 and implemented from January 1, 2008, and subsequently revised on April 23, 2019, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in China, shall pay enterprise income tax originating both within and outside China at the tax rate of 25%. Non-resident enterprises refer to entities established under foreign law whose actual administration institution is not within China but have institution or premises in China, or which do not have institution or premises in China but have income sourced within China. Non-resident enterprises that have set up institutions or premises in China shall pay enterprise income tax at the tax rate of 25% in relation to the income originated from China and obtained by the aforementioned institutions or premises, as well as the income incurred outside China, provided there is an actual relationship between such income and the aforementioned institutions or premises. For non-resident enterprises which have no institutions or premises in China, or, although they have institutions or premises in China, there is no actual relationship between the income and the aforementioned institutions or premises, they shall pay enterprise income tax at the tax rate of 10% in relation to the income originated from China. The aforementioned income includes income from sales of goods, provision of labor services, transfer of property, equity investment including dividends, interest income, rental income, income from royalties, donations and other income. In addition, according to the EIT Law and the Implementation Regulations of EIT Law, for the income incurred from equity investment including dividends and bonus among eligible resident enterprises, and the income which is incurred from equity investment including dividends and bonus obtained from resident enterprise by non-resident enterprises that have set up institutions or premises in China and the income has an actual relationship with such institutions or premises, such incomes are tax-free income.

Pursuant to the EIT Law and the Administrative Measures for the Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) and the Administrative Guides for the Accreditation of High-tech Enterprise (《高新技術企業認定管理工作指引》) which were promulgated by the Ministry of Science, the Ministry of Finance and the SAT on January 29, 2016 and June 22, 2016, respectively, enterprises are entitled to enjoy the preferential enterprise income tax rate of 15% from the year in which they are accredited as high-tech enterprises. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. The enterprise can re-apply for such recognition upon expiry of the certificate of high-tech enterprise.

Withholding Income Tax and Tax Treaties

Under the EIT Law and the Implementation Regulations of EIT Law, where non-resident enterprises that have not set up institutions or premises in China, or where the institutions or premises set up have no actual relationship with the income obtained by such enterprises, they shall pay income

tax generally at the tax rate of 10% in relation to the declared dividends originating from China. Where the treaty between the PRC governments and another foreign country contains provisions different from those provided under the EIT Law, the provisions under the relevant treaty shall prevail.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) entered into between the PRC government and Hong Kong government on August 21, 2006, in relation to payment of dividends by Chinese resident companies to the resident companies in Hong Kong, if a Hong Kong resident company directly owns at least 25% of the shares of the company which pays dividends, the tax paid shall be 5% of the total dividends; otherwise tax paid shall be 10% of the total dividends. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, the competent tax authorities are entitled to adjust the preferential tax treatment for the companies which improperly benefit from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven. According to the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) which was promulgated by the SAT on February 3, 2018 and implemented on April 1, 2018, "beneficial owner" shall refer to a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived and is generally determined depending on whether the operating activities the beneficial owner is engaged in are substantive.

Pursuant to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》), which was promulgated by the SAT on August 27, 2015 and implemented since November 1, 2015, and subsequently revised on June 15, 2018, any non-resident taxpayer (including non-resident enterprises and non-resident individuals) meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. If a competent tax authority, in the course of subsequent administration, finds out that a non-resident taxpayer enjoys convention treatment without meeting the conditions thereof and underpays or fails to pay them at all, it may instruct the non-resident taxpayer to pay the overdue taxes within a prescribed period.

Value-Added Tax

According to the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and subsequently revised on November 10, 2008, February 6, 2016 and November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance (the "MOF") on December 25, 1993 and subsequently revised on December 15, 2008 and October 28, 2011, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of China are taxpayers of value-added tax ("VAT"), and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services,

selling immovables, transferring land use rights, or selling or importing specific goods; unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

The MOF and the SAT published the Circular of the MOF and the SAT on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) and its annexes on March 23, 2016, and subsequently revised on July 11, 2017 and March 20, 2019, pursuant to which entities and individuals that sell services, intangible assets, or immovables shall pay VAT instead of business tax since May 1, 2016.

According to the Circular of the MOF and the SAT on Adjusting Value-added Tax Rate (《財政部、税務總局關於調整增值税税率的通知》) which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, the tax rates for the taxable sales or goods import activity, which were subject to the tax rates of 17% and 11% respectively, were adjusted to 16% and 10% respectively.

According to the Circular on Policies in Relation to the Deepening of Value-added Tax Reforms (《關於深化增值税改革有關政策的公告》) which was jointly promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers' VAT taxable sales or goods import shall be adjusted to 13% and 9%, respectively.

Stamp Tax

Under the Provisional Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花税暫行條例》) (the "Provisional Regulations on Stamp Tax") which was promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, and subsequently revised on January 8, 2011, all enterprises and individuals creating and obtaining taxable documents within China are taxpayers of stamp tax and shall pay stamp tax according to law. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents resemble contract in nature, title transfer deeds, business account books, certificate of rights, license and other taxable documents specified by the Ministry of Finance. The specific tax rates and mounts shall be subject to the List of Items and Rates of Stamp Tax (《印花税税目税率表》) which is attached to the Provisional Regulations on Stamp Tax.

Urban Maintenance and Construction Tax and Education Surcharges

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》) which was promulgated by the State Council on October 18, 2010 and implemented on December 1, 2010, foreign invested enterprises, foreign enterprises and foreign individuals are applicable to the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax (《中華人民共和國城市維護建設税暫行條例》) (the "Provisional Regulations on City Maintenance and Construction Tax") which was promulgated by the State Council on February 8, 1985 and implemented on January 1, 1985, and subsequently revised on January 8, 2011, and the Provisional Regulations for Imposition of Education Surcharges (《徵收教育費附加的暫行規定》) (the "Provisional

Regulations on Education Surcharges") which was promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986, and subsequently revised on June 7, 1990, August 20, 2005 and January 8, 2011.

According to the Provisional Regulations on City Maintenance and Construction Tax, all units and individuals that pay consumption tax, VAT and business tax are all taxpayers who pay taxes on urban maintenance and construction. They shall pay the urban maintenance and construction tax according to the regulations. The computation of city maintenance and construction tax shall be based on the amount of consumption tax, VAT and business tax actually paid by taxpayers, and the tax shall be paid together with the payment of consumption tax, VAT and business tax. If the location of the taxpayer is in the urban area, the tax rate of urban maintenance and construction shall be 7%; if the location of the taxpayer is in the county or town, the tax rate of urban maintenance and construction shall be 5%; if the location of the taxpayer is not in the urban area, the county or town, the tax rate of urban maintenance and construction shall be 1%.

According to the Provisional Regulations on Education Surcharges, all units and individuals who pay the consumption tax, VAT and business tax shall pay education surcharges in accordance with the regulations of the Provisional Regulations on Education Surcharges, except the units that pay rural surcharges of operating expenses of education in accordance with the regulations of the Circular of the State Council on Raising Funds for Running Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The computation of education surcharges shall be based on the amount of VAT, business tax, and consumption tax actually paid by each unit and individual. The education surcharges rate is 3%, and the tax shall be paid together with the payment of VAT, business tax, and consumption tax.

Laws and Regulations on Labor and Social Security

Labor Law and Labor Contract Law

In accordance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) which was promulgated by the NPC Standing Committee on July 5, 1994 and implemented on January 1, 1995, and subsequently revised on August 27, 2009 and December 29, 2018, the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the "Labor Contract Law") which was promulgated on June 29, 2007 and implemented on January 1, 2008, and subsequently revised on December 28, 2012, and the Implementation Regulations of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) which was promulgated and implemented by the State Council on September 18, 2008, a labor contract shall be concluded for the establishment of a labor relationship between the employer and the worker. Employers shall abide by the aforementioned laws and regulations and perform procedures for dissolution and termination of labor contracts, payment of labor remuneration and economic compensation, use of labor dispatch and payment of social insurance.

Labor Dispatch

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) which was promulgated by the Ministry of Human Resources and Social Security on January 24, 2014 and implemented on March 1, 2014, enterprises shall strictly control the number of labor dispatch workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees.

Pursuant to the Labor Contract Law and the Interim Provisions on Labor Dispatch, enterprises which fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the enterprises may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker.

Social Insurance and Housing Provident Fund

According to regulations of the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) issued by the NPC Standing Committee on October 28, 2010 and implemented on July 1, 2011, and subsequently revised on December 29, 2018, the state establishes social insurance system including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance and so forth, so as to protect legitimate rights and interests of Chinese citizens to get material assistance from the state and society according to laws, such as age, disease, work injury, unemployment, childbearing and so on. Enterprises within the territory of China shall apply to the local social insurance agency for registration of social insurance within 30 days from the date of establishment, and shall declare and make social insurance contributions in full and on time.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated and implemented by the State Council on April 3, 1999 and subsequently revised on March 24, 2002 and March 24, 2019, enterprises in China shall register with the housing provident fund management center within 30 days from the date of establishment, and complete the procedures for establishment of housing accumulation fund accounts for their employees within 20 days from the date of registration.

Laws and Regulations on Intellectual Property Rights

Copyright

According to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) (the "Copyright Law") which was promulgated by the NPC Standing Committee on September 7, 1990 and implemented on June 1, 1991, and subsequently revised on October 27, 2001 and February 26, 2010, and the Implementation Regulations of the Copyright Law of the People's Republic of China (《中華人民共和國著作權法實施條例》) (the "Implementation Regulations of the Copyright Law") which was promulgated by the State Council on August 2, 2002 and implemented on September 15, 2002, and subsequently revised on January 30, 2013, a Chinese citizen, legal person or other organization is entitled to the copyright thereunder for any works, whether published or not, that are originated by them. The abovementioned works include literary works; oral works; music, theater, opera, dance and acrobatic works; art and architecture works; photograph works; film works and any works created through a process similar to cinematography; engineering design diagrams, product design graphics, maps, sketches and other graphic works and model works; and computer software, etc.; any work of a foreigner or stateless person which enjoys copyright under an agreement concluded between the country to which the author belongs or in which the author permanently resides and China, or under an international treaty to which both countries are parties, and any work of an author from a country not having concluded an agreement with China or entered into an international treaty jointly with China or of a stateless person, which is published for the first time in a country as a member of the international treaty into which China has entered or published in a member country and non-member country at the same time, shall be protected by the Copyright Law and the Implementation Regulations

of the Copyright Law. Any work of a foreigner or stateless person published for the first time and within the territory of China shall enjoy copyright according to law.

According to the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and implemented on October 1, 1991, and subsequently revised on December 20, 2001 and January 30, 2013, and the Measures for Computer Software Copyright Registration (《計算機軟件著作權登記辦法》) which was promulgated and implemented by the Ministry of Machine Building and Electronics Industry (currently known as the Ministry of Industry and Information Technology (the "MIIT")), on April 6, 1992 and subsequently revised by the National Copyright Administration on February 20, 2002, the software copyright holder can register the software copyright registration to the Copyright Protection Center of China, which is the software registration agency identified by the State Copyright Administration.

Patents

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) which was promulgated by the NPC Standing Committee on March 12, 1984 and implemented on April 1, 1985, and subsequently revised on September 4, 1992, August 25, 2000 and December 27, 2008, and the Implementation Regulations of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) which was promulgated by the State Council on June 15, 2001 and implemented on July 1, 2001, and subsequently revised on December 28, 2002 and January 9, 2010, the patent protection is divided into three categories, namely, the patent for invention, patent for utility models and patent for designs. The duration of patent right for inventions shall be 20 years, the duration of the patent for utility models and patent for designs shall be 10 years, counted from the date of filing. After the grant of the patent right for an invention or utility model, except where otherwise provided for in this Law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, and use, offer to sell, sell or import the product directly obtained by the patented process, for production or operation purposes. After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, offer to sell, sell or import the product incorporating its or his patented design, for production or operation purposes.

Trademarks

According to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) which was promulgated by the NPC Standing Committee on August 23, 1982 and implemented on March 1, 1983, and subsequently revised on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and implemented on November 1, 2019, and the Implementation Regulations of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) which was promulgated by the State Council on August 3, 2002 and implemented on September 15, 2002, and subsequently revised on April 29, 2014, a trademark registered by the Trademark Office is a registered trademark, including the commodity trademark, service trademark, collective trademark and certification trademark. The trademark registrant is entitled to the exclusive right to use trademark and protected by law. The period of validity of a registered trademark shall be 10 years, counted from the date of approval of the registration. The trademark registrant shall apply for renewal within 12 months before the expiry date for further use of the registered trademark. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the subject trademark.

Domain Names

Those who carry out such activities as service provision, operation and maintenance as well as supervision and administration of Internet domains within the territory of China shall be subject to the Internet Domain Name Regulations (《互聯網域名管理辦法》) which was promulgated by the MIIT on August 24, 2017 and implemented on November 1, 2017. According to the Internet Domain Name Regulations, the MIIT supervises and manages the domain name service in the whole country, and the communication administrative bureaus of all provinces, autonomous regions and centrally-administered municipalities supervise and manage the domain name service within their administrative area. The Internet domain name system of China is announced by the MIIT. According to the actual situation of the development of the domain name, the MIIT can adjust the Internet domain name system of China.

Regulations Relating to M&A Provisions

Under the Interim Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Provisions") which was promulgated jointly by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the CSRC, the SAT, the State Administration for Industry and Commerce and the SAFE on August 8, 2006, implemented on September 8, 2006 and subsequently revised by the MOFCOM on June 22, 2009, the mergers and acquisitions of domestic companies by foreign investors include foreign investors' acquisition of equity in the domestic non-foreign-invested enterprise or subscribe for increased capital to convert the domestic non-foreign-invested enterprise into a foreign-invested enterprise; or foreign investors' establishment of a foreign-invested enterprise to acquire the assets of the domestic enterprise by agreement and operates these assets; or foreign investors' purchase of the assets from the domestic enterprise and invests such assets to establish foreign-invested enterprises for operation of such assets. If a PRC enterprise or individual intends to acquire its/his/her related domestic company through an offshore company which it/he/she lawfully established or controls, such acquisition shall be subject to approval by the MOFCOM.

US GOVERNMENTAL REGULATIONS

Consumer Product Regulations

As a manufacturer and distributor of consumer products, we are subject to the provisions of the Consumer Products Safety Act ("CPSA"), the Federal Hazardous Substances Act ("FHSA"), the Consumer Product Safety Improvement Act of 2008 ("CPSIA"), the United States Toxic Substances Control Act ("TSCA") and the regulations promulgated pursuant to such statutes. These statutes ban from the market consumer products that fail to comply with applicable product safety regulations. In addition, we are subject to certain laws existing in some cities and states regulating certain consumer products.

CPSA was enacted in 1972 to protect the public against unreasonable risks of injury associated with consumer products. Among other things, CPSA established the Consumer Product Safety Commission ("CPSC"). The CPSA empowers CPSC to monitor, research, investigate and enforce rules in order to further the objectives of the CPSA. While the CPSC has the authority to issue mandatory consumer product safety rules under certain circumstances, in most instances, the CPSA requires CPSC to defer to voluntary consumer product safety standards that are drafted and developed by private industry. Therefore, CPSC provides technical assistance and otherwise helps industry groups

develop voluntary standards more frequently than it issues mandatory safety standards through rulemakings. In addition, CPSC has the authority to recall, repurchase, replacement, or repair of any banned products or products that otherwise create a substantial risk of injury and may seek penalties for regulatory noncompliance under certain circumstances.

Given the broad statuary mandate and impact consumer products have on the day-to-day lives of the general public, CPSC has been of perennial interest to the U.S. Congress. In 2008, the U.S. Congress enacted CPSIA to, among other things, enhance the CPSC's regulatory and enforcement powers.

FHSA was passed in 1960 and requires certain household products to have warning labels. FHSA also gives CPSC the authority to regulate or ban a hazardous substance, and toys or other articles intended for use by children, under certain circumstances to protect the public. Examples of products regulated under FHSA include electrically operated toys, cribs, rattles, pacifiers, bicycles, and children's bunk beds.

TSCA was enacted in 1976 and amended in 2016. TSCA was enacted to control the adverse effects of newly manufactured and existing chemical substances and addresses the production, importation, use, and disposal of specific chemicals including polychlorinated biphenyls (PCBs), asbestos, radon and lead-based paint. TSCA provides the U.S. Environmental Protection Agency (the "EPA") with broad authority to issue specific rules and regulations governing the use, labeling, maintenance, removal and disposal of certain chemicals. The EPA is currently evaluating additional chemicals for regulation under that amended law. Certain of our products may be manufactured using chemicals or other ingredients that may be subject to regulation under current TSCA regulations, and other chemicals or ingredients may be regulated under the law in the future.

Additionally, throughout the world, electrical appliances are subject to various mandatory and voluntary standards, including requirements in some jurisdictions that products be listed by Underwriters' Laboratories, Inc. ("UL"), an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other similar recognized laboratories.

Other US Regulatory Bodies

The labeling, distribution, importation, marketing, and sale of our intended products are subject to extensive regulation by various US states and federal agencies, including the CPSC, Federal Trade Commission ("FTC"), Food and Drug Administration ("FDA"), Federal Communications Commission ("FCC"), and state attorneys general, as well as by various other federal, state, provincial, local, and regulatory authorities in the countries in which our intended products and services are distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant monetary fines, other penalties, or claims, which could harm our operating results or our ability to conduct our business.

The FDA regulates the promotional labeling for and the FTC regulates the advertising of our products to ensure that the claims we make are consistent with our regulatory clearances, that there is scientific data to substantiate the claims and that our promotion and advertising is neither false nor misleading.

The FCC regulates the limits of potentially harmful interference to licensed transmitters due to low-power, unlicensed transmitters. The FCC takes into account the different potentials for causing

harmful interference and, as a result, its regulations are most restrictive on products that are most likely to cause harmful interference, and less restrictive on those that are least likely to cause interference.

The U.S. Department of Energy also regulates consumer battery chargers and regulated products will require testing and certification. Battery chargers manufactured and distributed in US commerce must meet specified energy conservation standards.

FCPA

We engage in operations and activities outside the United States and thus are subject to the Foreign Corrupt Practices Act (the "FCPA") which, among other restrictions, prohibits US companies and their intermediaries from making payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect their financial and other transactions with foreign officials. The FCPA applies to companies, individual directors, officers, employees and agents. The FCPA also applies to foreign companies and persons taking any action in furtherance of such payments while in the United States Under the FCPA, US companies may also be held liable for actions taken by strategic or local partners or representatives. In particular, we may be held liable for actions taken by our strategic or local partners even though our partners are not subject to the FCPA. The FCPA imposes civil and criminal penalties for violations of its provisions. Civil penalties may include fines of up to US$500,000 per violation, and equitable remedies such as disgorgement of profits causally connected to the violation (including prejudgment interest on such profits) and injunctive relief. Criminal penalties for violations of the payments provisions could range up to the greater of US$2 million per violation or twice the gross pecuniary gain sought by making the payment, and/or incarceration for up to 5 years per violation. Moreover, if a director, officer or employee of a company is found to have willfully violated the FCPA books and records provisions, the maximum penalty would be imprisonment for 20 years per violation. Maximum fines of up to US$25 million may also be imposed for willful violations of the books and records provisions by a company.

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on July 26, 2018, as part of the Reorganization. After the Reorganization, our Company became the holding company of our Group for the purpose of the listing with our businesses conducted through our subsidiaries. See "—Reorganization."

History of Joyoung Segment

The history of our PRC business dates back to 1994, when Mr. Wang Xuning, our founder and one of our Controlling Shareholders, first conducted research and development on fully automatic soymilk maker. On July 8, 2002, Mr. Wang Xuning and several other individuals incorporated Shandong Joyoung with a registered capital of RMB10 million. As of the time of the incorporation, our business focused on the developing, manufacturing and marketing of small household appliances.

From December 2003 to June 2007, a number of capital contributions and shareholding changes were carried out in Shandong Joyoung. On June 14, 2005 Shandong Joyoung received capital contributions of RMB3.5 million from Bilting. On December 22, 2005, Mr. Wang Xuning and other individual shareholders transferred their equity interests in Shandong Joyoung to Shanghai Lihong, the holding company of our PRC operating entities, for the purpose of optimizing the shareholding structure of Shandong Joyoung. On June 12, 2007, Shandong Joyoung received capital contributions of RMB714,801 from Dinghui.

On September 19, 2007, Shandong Joyoung was converted into a joint stock company under the name of "Joyoung Co., Ltd" with a registered capital of RMB200 million. After the conversion, Shanghai Lihong, Bilting and Dinghui, held approximately 66.36%, 22.79% and 6.86% of the share capital of Joyoung, respectively. On May 28, 2008, Joyoung was successfully listed on the Shenzhen Stock Exchange (stock code: 002242) and issued 67,000,000 A Shares at RMB22.54 per share to the public through an initial public offering. As of the Latest Practicable Date, Joyoung was held by Shanghai Lihong and Bilting as to 50.11% and 16.93%, respectively. Joyoung, together with its subsidiaries, including Joyoung Household Appliances and Joyoung Life Electric, carried out business including development, manufacturing and marketing of small household appliances.

History of SharkNinja Segment

To expand our overseas footprint and presence and enter the international market, we pursued integration and acquired 70% of the equity interest in Compass, the holding company of Euro-Pro HoldCo, LLC and its subsidiaries (the "SharkNinja Acquisition") together with Easy Home, a wholly-owned subsidiary of CDH Fund V, L.P., in September 2017. See "—Major Acquisition."

Euro-Pro HoldCo, LLC is a company incorporated in the United States and it is the holding company of SharkNinja group of companies. In the United States and Canada, our Shark and Ninja brands under the operation of SharkNinja group of companies maintained a leading market share in a number of product categories through relentless focus on quality, reliability, consumer satisfaction and accessible innovation to consumers. We ranked second in the small household appliance market in the United States in terms of our retail sales value in 2018.

Over the years, we gradually developed into a global leader in high-quality, innovative small household appliances. We are committed to serving the local needs in household cleaning and kitchens across the globe with our multi-brand and comprehensive product portfolio.

OUR MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Event
1994	Mr. Wang Xuning founded our Group by first conducting research and development on fully automatic soymilk maker.
2002	Our Group started to conduct small household appliances business with the establishment of Shandong Joyoung.
2007	Dinghui was brought in as an investor in Shandong Joyoung.
2008	A Shares of Joyoung were listed on the Shenzhen Stock Exchange under the stock code 002242.
	Shark introduced its first No-Loss-of-Suction upright vacuum in the United States.
2010	Ninja total crushing blender was introduced in the United States.
2015	We launched a brand-new series of high-performance multifunctional blenders in China.
2017	We acquired Compass together with Easy Home.
	We launched the heating, noiseless and wash-free fully automated "intelligent soymilk maker".
	We launched the intelligent Shark ION robotic vacuum in the United States.
2018	We launched Foodi, a pressure cooker that crisps and air fries.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following subsidiaries serve as significant holding entities or principally account for the results, assets, liabilities or businesses of the Group:

1. Joyoung

Shandong Joyoung, the predecessor of Joyoung, was incorporated as a limited liability company in China on July 8, 2002 with a registered capital of RMB10 million. On September 19, 2007, Shandong Joyoung was converted into a joint-stock company under the name "Joyoung Co., Ltd." and the shares of Joyoung were listed on the Shenzhen Stock Exchange on May 28, 2008 under the stock code 002242. Joyoung is primarily engaged in development, manufacturing and marketing of small household appliances. As of the Latest Practicable Date, Joyoung is approximately 50.11% held by Shanghai Lihong and approximately 16.93% held by Bilting.

2. Joyoung Household Appliances

Joyoung Household Appliances was incorporated as a limited liability company in China on September 5, 2007 under the name of its predecessor, Hangzhou Lv Jia Shi Ye Limited (杭州綠嘉實業有限公司), with a registered capital of RMB220 million and changed its name to Hangzhou Ounanduo Small Appliance Limited (杭州歐南多小家電有限公司) and Hangzhou Joyoung Ounanduo Small Appliance Limited (杭州九陽歐南多小家電有限公司) on October 14, 2008 and January 9, 2009, respectively, and further changed its name to "Hangzhou Joyoung Household Electric Appliances Limited" after the acquisition of Hangzhou Jiuyang Small Appliance Limited in October 2018, which

was then a subsidiary of Joyoung. Joyoung Household Appliances is primarily engaged in the development and manufacture of small household appliances. As of the Latest Practicable Date, Joyoung Small Appliance is wholly owned by Joyoung.

3. Joyoung Life Electric

Joyoung Life Electric was incorporated as a limited liability company in China on November 24, 2010 with a registered capital of RMB3 million. Joyoung Life Electric is primarily engaged in the manufacture and marketing of small household appliances. As of the Latest Practicable Date, Joyoung Life Electric is wholly owned by Joyoung.

4. SharkNinja Operating LLC

SharkNinja Operating LLC was incorporated as a limited liability company in the United States on July 22, 2003. SharkNinja Operating LLC is primarily engaged in wholesale and retail trade of small household appliances. As of the Latest Practicable Date, SharkNinja Operating LLC is an indirect wholly-owned subsidiary of the Company.

5. SharkNinja Sales Company

SharkNinja Sales Company was incorporated as a limited liability company in the United States on February 26, 2013. SharkNinja Sales Company is primarily engaged in wholesale and retail trade of small household appliances. As of the Latest Practicable Date, SharkNinja Sales Company is an indirect wholly-owned subsidiary of the Company.

MAJOR ACQUISITION

On May 4, 2016, Shanghai Lihong incorporated Zheng Hong Development Company Limited ("Zheng Hong") in Hong Kong. On July 4, 2017, Zheng Hong incorporated Chen Hong Company Limited ("Chen Hong") in the BVI as a limited liability company. Subsequently, Chen Hong incorporated Xiang Hong in the BVI as a limited liability company. After GA1 was incorporated in the Cayman Islands as an exempted company on July 4, 2017, GA1 incorporated GA2 in the Cayman Islands as an exempted company on the same day. Easy Home acquired and subscribed for 30% equity interest in GA1, while Xiang Hong subscribed for 70% equity interest in GA1.

On July 27, 2017, Global Appliance LLC (as buyer and an indirectly wholly-owned subsidiary of Compass), New Euro-Pro Holdings LLC (as seller) and Euro-Pro HoldCo, LLC (as target) entered into a Membership Interest Purchase Agreement and, pursuant to such agreement and various closing and ancillary documents related thereto, (i) Global Appliance LLC directly acquired certain membership interests (the "Direct Purchase Interests") in Euro-Pro HoldCo, LLC (the "Direct Purchase") and (ii) New Euro-Pro Holdings LLC distributed the remaining membership interests in Euro-Pro HoldCo, LLC (the "Rollover Interests") to its equity holders, which in turn contributed the Rollover Interests to Compass Aggregator, Ltd. in order for Compass Aggregator, Ltd. to further contribute the Rollover Interests to Compass in exchange for 30% of the ordinary shares of Compass (the "Rollover"). The Direct Purchase and the Rollover were properly and legally completed at the same time on September 29, 2017 and, in connection therewith, Compass further contributed the Rollover Interests, through its directly wholly-owned subsidiary, to Global Appliance LLC. Following the completion of the Direct Purchase and the Rollover, 70% of the ordinary shares of Compass was held by GA1 (which was in turn indirectly 70% held by Shanghai Lihong through Xiang Hong, its

indirect wholly-owned subsidiary), while the remaining 30% of the ordinary shares of Compass was directly held by Compass Aggregator, Ltd. In addition, Compass indirectly wholly owned Global Appliance LLC (which in turn directly held 100% membership interests of Euro-Pro HoldCo, LLC) and, at that time, Compass Cayman SPV 2 Limited had already been formed and was directly wholly owned by Compass.

The consideration for the Direct Purchase Interests pursuant to the Direct Purchase was approximately US$1,607.8 million payable to New Euro-Pro Holdings LLC upon completion (subject to post-closing adjustment based on the closing-date balance sheet), which was determined with reference to the US$1,600 million enterprise value of Euro-Pro HoldCo, LLC on a debt-free and cash-free basis. Such amount of consideration was settled at the completion on September 29, 2017, with cash of approximately US$1,316.6 million, a 30% equity interest in Compass valued at approximately US$258.3 million and a put option related to the 30% equity interest in Compass (the "Put Option") valued at US$32.9 million. The cash portion of the consideration was funded from a cash equity contribution by GA1 of approximately US$580.1 million and debt acquisition financing of approximately US$742.4 million. Except for the cash balance of US$5.9 million remained at the Global Appliance LLC (formerly known as Global Appliance Inc.)'s account, the balance of those proceeds were used to fund acquisition and expenses incurred in connection with closing the debt acquisition financing. The Put Option was terminated upon the completion of the restructuring of Compass.

On June 14, 2019, we entered into a share subscription agreement with each of the SN Investors, pursuant to which the SN Investors in aggregate agreed to transfer 12,674.56 ordinary shares of Compass to the Company as a consideration of its share subscription of the Company. See "—Reorganization—5. Restructuring of Compass (SharkNinja)."

On June 14, 2019, we entered into a share subscription agreement with Easy Home, pursuant to which Easy Home and Comfort Home transferred the 30% equity interest in GA1 and 2,325.44 ordinary shares in Compass to us as a consideration of their subscription of the ordinary shares in our Company. See "—Reorganization—5.2 Share Subscription by SN Investors" and "—Reorganization—5. Restructuring of Compass (SharkNinja)."

On June 19, 2019, 100% equity interest in Xiang Hong (which in turn held 70% of the ordinary shares of GA1, which in turn indirectly held 70% shares of Compass) was transferred to JY-SN, one of our wholly-owned subsidiaries, as part of the Reorganization. See "—Reorganization—5. Restructuring of Compass (SharkNinja)."

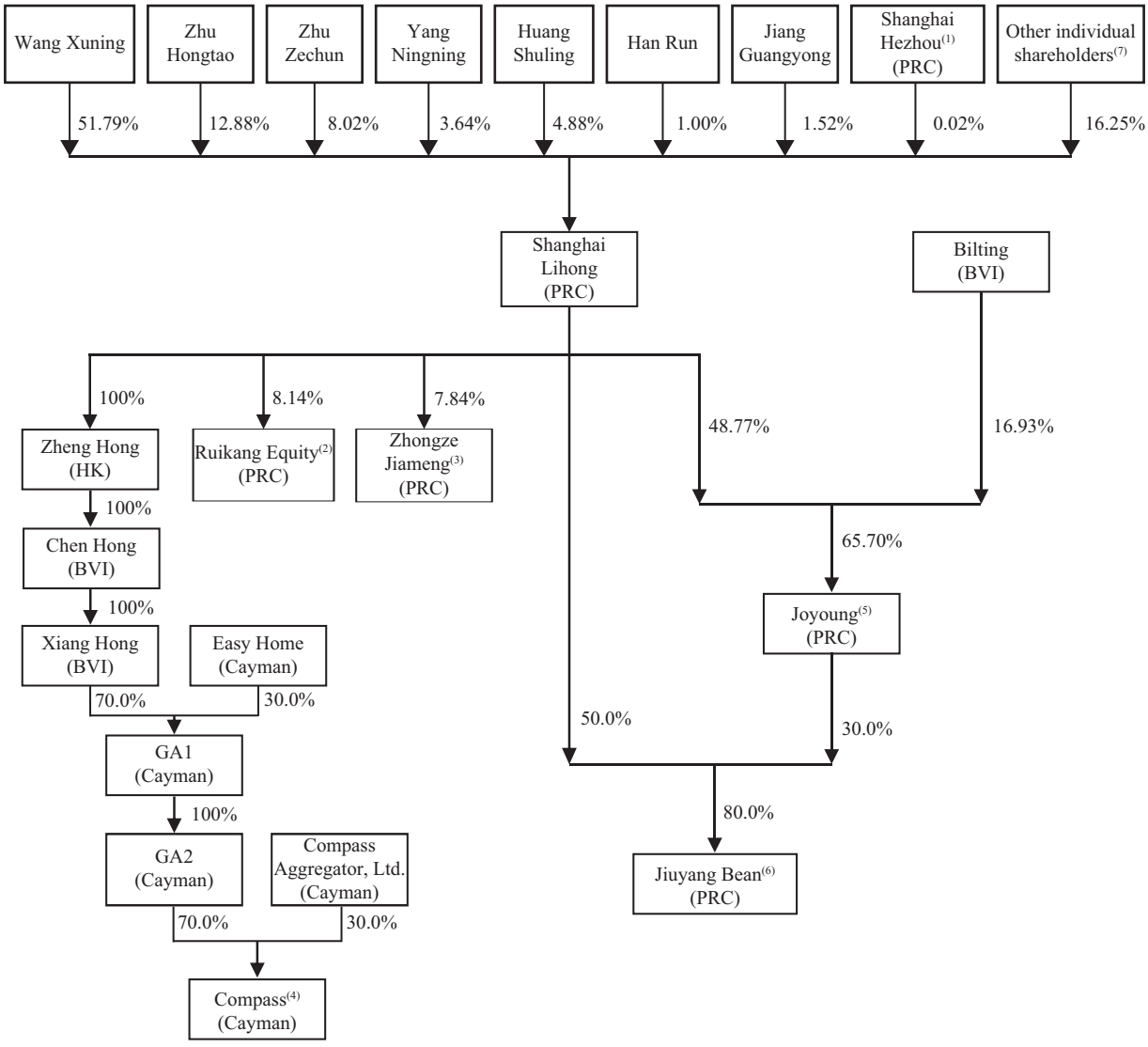
Upon the completion of the abovementioned steps, we indirectly held 100% of the ordinary shares of Compass.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not conduct any other major acquisitions, disposals or mergers.

REORGANIZATION

In anticipation of our Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

The following chart sets out the shareholding and corporate structure of Shanghai Lihong immediately before the Reorganization.



(1) Immediately before the Reorganization, Shanghai Hezhou was indirectly held by Mr. Wang Xuning as to 58.61% through Shanghai Xuning Investment Limited ("上海旭寧投資有限公司"), indirectly held by Mr. Zhu Hongtao as to 14.57% through Shanghai Jincheng Investment Limited ("上海錦誠投資有限公司"), indirectly held by Mr. Zhu Zechun as to 9.08% through Shanghai Shiyuan Investment Limited ("上海施源投資有限公司"), directly held by Shanghai Weiyuan Investment Limited ("上海蔚元投資有限公司") as to 5.53%, which was 20% held by Ms. Huang Shuling and 80% held by Ms. Huang Yunwei, daughter of Ms. Huang Shuling, indirectly held by Ms. Yang Ningning as to 4.12% through Shanghai Tuoge Enterprise Management Limited ("上海托格企業管理有限公司"), indirectly held by Mr. Cui Jianhua, a supervisor of Joyoung as well as a director in Joyoung Water Purification System Co., Limited ("Joyoung Water Purification"), as to 4.08% through Shanghai Qilan Enterprise Management Limited ("上海旗藍企業管理有限公司"), indirectly held by Mr. Jiang Guangyong as to 1.71% through Shanghai Jijing Enterprise Management Limited ("上海雋錦企業管理有限公司"), indirectly held by Cai Xiujun, the executive director and general manager of Jiuyang Bean, as to 1.16% through Shanghai Panmiao Enterprise Management Limited ("上海攀妙企業管理有限公司"), and indirectly held by Ms. Han Run as to 1.13% through Shanghai Xiyu Enterprise Management Limited ("上海璽宇企業管理有限公司").

(2) Ruikang Equity (as defined below) is primarily engaged in equity investment in illustration technology.

(3) Zhongze Jiameng (as defined below) is primarily engaged in equity investment in Internet and telecommunication.

(4) Compass is the holding company of SharkNinja group of companies immediately after the SharkNinja Acquisition.

(5) Joyoung is a company listed on the Shenzhen Stock Exchange (stock code: 002242). As the general meeting of shareholders of Joyoung (the "General Meeting") is the highest authority of Joyoung. Immediately before the Reorganization, Joyoung was held by Shanghai Lihong as to 48.77%. The remaining shares of Joyoung were widely held and no party had interest of sufficient size either by itself or in aggregate with a small number of others to vote against Shanghai Lihong in the General Meeting. As such, Shanghai Lihong can consolidate Joyoung before the Reorganization.

(6) Jiuyang Bean is primarily engaged in providing soymilk powders and commercial soymilk makers. Immediately before the Reorganization, Jiuyang Bean was held by Shanghai Lihong, Joyoung and an Independent Third Party as to 50%, 30% and 20%, respectively.
(7) Other individual shareholders include Mr. Cui Jianhua, a supervisor of Joyoung as well as a director of Joyoung Water Purification, Ms. Tian Deling, a director of Shanghai Lihong, and other individuals who are Independent Third Parties.

The Reorganization involved the following steps:

1. Exclusion of Other Businesses

To streamline the business operations of the Group and focus more on our primary business, Shanghai Lihong transferred all of its interests other than interests in Joyoung and Compass to affiliates of the Controlling Shareholders:

- on May 17, 2018, Shanghai Lihong entered into a partnership interest transfer agreement with respect to Shanghai Ruikang Equity Investment Partnership (Limited Partnership) (上海瑞康股權投資合夥企業(有限合夥)) ("Ruikang Equity"), pursuant to which Shanghai Lihong transferred its 8.14% interest in Ruikang Equity to Shanghai Hezhou for a consideration of RMB8,000,000. Ruikang Equity is primarily engaged in investment in illustration technology;
- on May 22, 2018, Shanghai Lihong entered into a partnership interest transfer agreement with respect to Ningbo Zhongze Jiameng Equity Investment Partnership (Limited Partnership) (寧波中澤嘉盟股權投資合夥企業(有限合夥)) ("Zhongze Jiameng"), pursuant to which Shanghai Lihong transferred its 7.84% interest in Zhongze Jiameng to Shanghai Hezhou for a consideration of RMB29,647,059. Zhongze Jiameng is primarily engaged in investment in Internet and telecommunication; and
- on August 25, 2018, Shanghai Lihong entered into a share transfer agreement with Ningbo Meishan Free Trade Port Area Lihao Investment Limited (寧波梅山保税港區力豪投資有限公司) ("Lihao Investment"), which was 88.39% held by Shanghai Hezhou, pursuant to which Shanghai Lihong transferred its 50% equity interest in Jiuyang Bean to Lihao Investment, for a consideration of RMB29,941,000. Jiuyang Bean is primarily engaged in providing soymilk powders and commercial soymilk makers.

2. Incorporation of our Company and the Offshore Structure

1) Establishment of JS Holding

On April 16, 2018, each of the individual Controlling Shareholders, namely, Mr. Wang Xuning, Mr. Zhu Hongtao, Mr. Zhu Zechun, Ms. Yang Ningning, Ms. Huang Shuling, Ms. Han Run and Mr. Jiang Guangyong, incorporated their wholly-owned special purpose vehicles in BVI, respectively, namely XNL, Jin Cheng, Fortune Spring, Tuo Ge, Yuan Jiu, Xi Yu and Jin Yu for the purpose of the Reorganization.

On June 28, 2018, the BVI SPVs jointly incorporated Tong Zhou and Gong Ji in the BVI. Upon incorporation, Tong Zhou and Gong Ji each was wholly owned by the Controlling Shareholders Group through the BVI SPVs.

On July 18, 2018, Mr. Wang Xuning's BVI SPV, i.e. XNL, incorporated Hezhou, a wholly-owned subsidiary in the Cayman Islands. On the same date, Hezhou, Tong Zhou and Gong Ji entered into a partnership agreement ("Partnership Agreement"), pursuant to which JS Holding was registered as an exempted limited partnership under the laws of the Cayman Islands under the name of

Hezhou Limited Partnership, whose general partner was Hezhou and limited partners were Tong Zhou and Gong Ji. On May 2, 2019, Gong Ji merged into Tong Zhou (with Tong Zhou as the surviving entity). As of the Latest Practicable Date, Hezhou and Tong Zhou contributed US$1 and US$2,000, respectively, to JS Holding.

2) Incorporation of our Company

On April 16, 2018, Mr. Wang Xuning established JY-SN as a limited liability company in BVI. On April 26, 2018, JY-SN established Sunshine Rise as a company limited by shares in Hong Kong.

On July 26, 2018, our Company was incorporated in the Cayman Islands as an exempted company (previously known as "JY-Shark Company Limited") with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares with par value of US$0.0001 each and one share was issued to Mapcal Limited as the subscriber. On the same date, the one issued share was transferred from Mapcal Limited to JS Holding, which was then known as Hezhou Limited Partnership, at par value and JS Holding became the then sole shareholder of our Company.

On August 10, 2018, the Company acquired 100% equity interest in JY-SN, which in turn held 100% equity interest in Sunshine Rise.

3. Capital Contribution to Shanghai Lihong

On November 13, 2018, Easy Appliance (Hong Kong), a then indirect wholly-owned subsidiary of Easy Home, entered into a capital increase agreement ("Easy Appliance Capital Increase Agreement") with Shanghai Lihong, pursuant to which Easy Appliance (Hong Kong) agreed to contribute RMB7,514,149.25 in cash to Shanghai Lihong, among which RMB2,748,536.84 was credited as registered capital (representing 5% of the enlarged registered capital of Shanghai Lihong) and the remaining RMB4,765,612.41 was credited as the capital reserve. As a result, the registered share capital of Shanghai Lihong increased from RMB52,222,200.00 to RMB54,970,736.84 and Shanghai Lihong was converted from a PRC domestic company to a sino-foreign joint venture on November 22, 2018. The capital contribution was completed on April 28, 2019.

On November 27, 2018, Sunshine Rise, the wholly-owned subsidiary of our Company, entered into a capital increase agreement ("Sunshine Rise Capital Increase Agreement") with Shanghai Lihong, pursuant to which Sunshine Rise agreed to contribute RMB728,480,087.62 in cash to Shanghai Lihong, among which RMB266,464,544.78 would be credited as registered capital and the remaining RMB462,015,542.84 would be credited as capital reserve. Shanghai Lihong has been held by Sunshine Rise and ultimately controlled by our Company as to approximately 82.9% since December 4, 2018. For the source of funding for the share capital increase, see "Financial Information—Indebtedness."

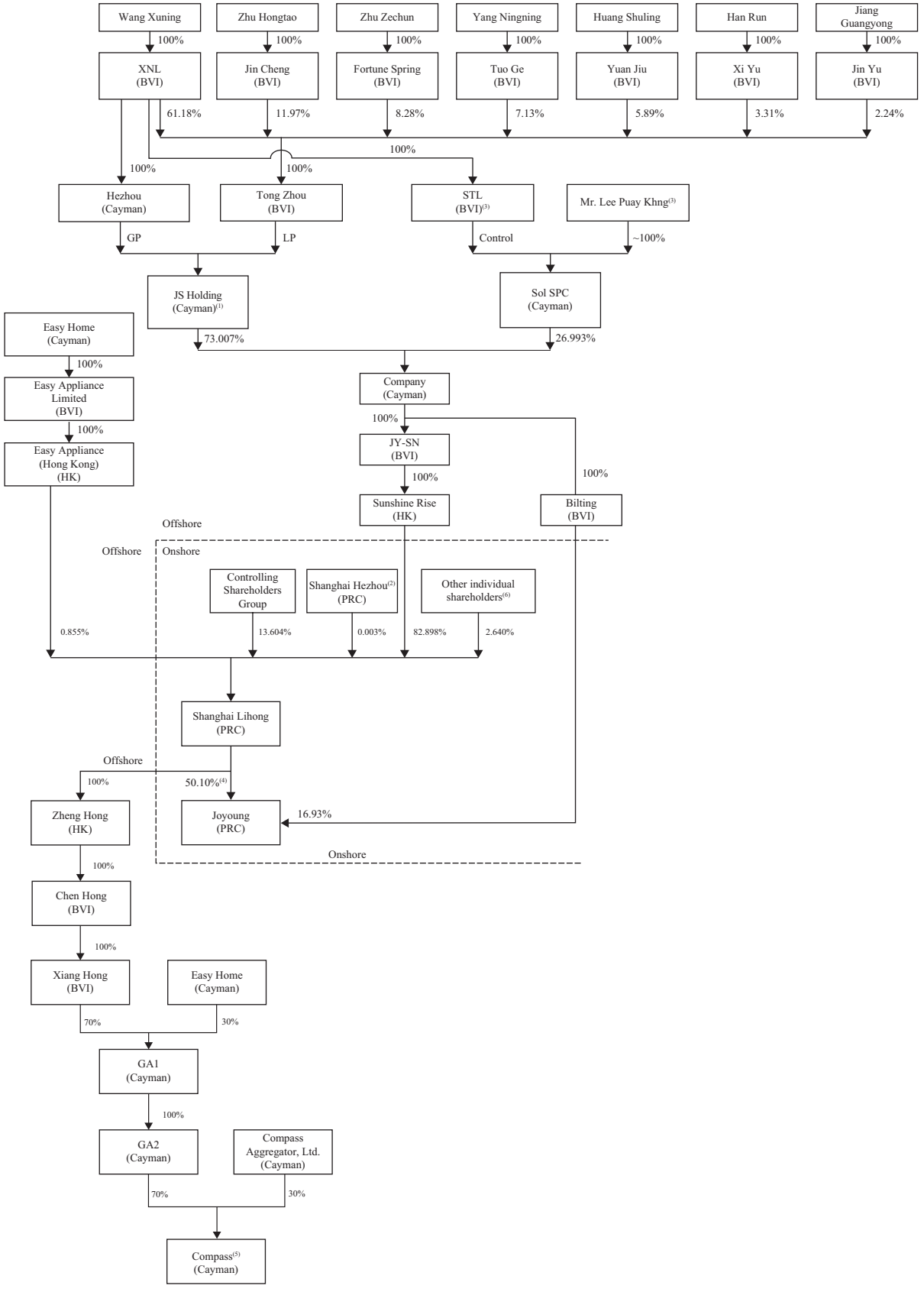
4. Share Exchange by Mr. Lee Puay Khng

On April 11, 2019, the Company and Mr. Lee Puay Khng, the then sole shareholder of Bilting, entered into a share subscription agreement ("Bilting Subscription Agreement"), pursuant to which Mr. Lee Puay Khng exchanged his 100% equity interest in Bilting with the Company in consideration for 36,830,424.53 ordinary shares in the Company. The share exchange was completed on April 16, 2019, upon which Bilting became a wholly-owned subsidiary of our Company.

On April 18, 2019, Mr. Lee Puay Khng further exchanged his entire interest in the Company (i.e. 36,830,424.53 ordinary shares) to Sol SPC in consideration for 368,304.24536 class A

participating shares (representing 100% of the issued class A participating shares) of Sol SPC. Sol SPC is a segregated portfolio company incorporated in the Cayman Islands with an authorized share capital comprising 100 management shares of par value US$0.01 each and 4,999,900 participating shares of par value US$0.01 each, among which holders of management shares shall have the right to receive notice of, attend and vote as a member at any general meeting while the holders of participating shares shall not have such rights. As of the Latest Practicable Date, STL, a company incorporated in the BVI and indirectly wholly owned by Mr. Wang Xuning, held 100 management shares as well as one class B participating share of Sol SPC.

The following chart sets out the shareholding and corporate structure of Shanghai Lihong immediately after the aforementioned steps.



(1) JS Holding (which was then known as Hezhou Limited Partnership) subscribed for 99,613,965.34 ordinary shares in the Company on April 10, 2019. See "—Reorganization—5.1 Share Subscription by JS Holding and Acquisition of Xiang Hong."

(2) Shanghai Hezhou underwent certain restructuring steps with the updated shareholding structure being: Shanghai Hezhou was indirectly held by Mr. Wang Xuning as to 61.85% through Shanghai Xuning Investment Limited ("上海旭寧投資有限公司"), indirectly held by Mr. Zhu Hongtao as to 15.38% through Shanghai Jincheng Investment Limited ("上海錦誠投資有限公司"), indirectly held by Mr. Zhu Zechun as to 9.58% through Shanghai Shiyuan Investment Limited ("上海施源投資有限公司"), indirectly held by Ms. Yang Ningning as to 4.35% through Shanghai Tuoge Enterprise Management Limited ("上海托格企業管理有限公司"), indirectly held by Mr. Jiang Guangyong as to 1.81% through Shanghai Jijing Enterprise Management Limited ("上海雋錦企業管理有限公司"), indirectly held by Ms. Han Run as to 1.19% through Shanghai Xiyu Enterprise Management Limited ("上海璽宇企業管理有限公司"), and the remaining 5.83% of interest in Shanghai Hezhou was directly held by Shanghai Weiyuan Investment Limited ("上海蔚元投資有限公司"), which was 20% held by Ms. Huang Shuling and 80% held by Ms. Huang Yunwei, daughter of Ms. Huang Shuling.

(3) STL held 100 management shares (representing 100% voting rights) and one class B participating share (without voting rights) in Sol SPC; Mr. Lee Puay Khng held 368,304.24536 class A participating shares (representing 100% issued class A participating shares and without voting rights) in Sol SPC.

(4) From February 13, 2018 to December 28, 2018, Shanghai Lihong cumulatively purchased in total of 14,477,566 shares of Joyoung through the Shenzhen Stock Exchange trading system. As a result, Shanghai Lihong's shareholding in Joyoung increased from 48.77% to 50.10%.

(5) Compass is the holding company of SharkNinja group of companies immediately after the SharkNinja Acquisition.

(6) Other individual shareholders include Mr. Cui Jianhua, a supervisor of Joyoung as well as a director of Joyoung Water Purification, Ms. Tian Deling, a director of Shanghai Lihong, and other individuals who are Independent Third Parties including Zhang Xiaobin, Liu Mingliang, Shi Lei, Tang Jun, Cai Xiujun, Chen Liang, Li Jinsheng, Xu Yifan, Xu Xinhui, Wang Xiaoru, Wang Bo, Wang Shu'an, Jiang Jinke, Zhu Wanhe, Xu Qingliang and Xing Xiuying.

5. Restructuring of Compass (SharkNinja)

On September 29, 2017, Shanghai Lihong acquired 70% equity interest in Compass, the holding company of SharkNinja group of companies immediately after the SharkNinja Acquisition together with Easy Home, a wholly-owned subsidiary of CDH Fund V, L.P. See "—Major Acquisition."

5.1 Share Subscription by JS Holding and Acquisition of Xiang Hong

In September 2017, for the SharkNinja Acquisition, Zheng Hong obtained a facility letter from Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia") with a principal amount of up to US$470 million (the "SharkNinja Acquisition Loan"). The SharkNinja Acquisition Loan was secured by a pledge over 276,300,000 shares of Joyoung. See "Financial Information—Indebtedness." On June 16, 2019, JS Holding (which was then known as Hezhou Limited Partnership) borrowed a loan of US$470 million from Industrial and Commercial Bank of China (Asia) Limited to replace the SharkNinja Acquisition Loan and acquired 100% equity interest in Xiang Hong via the following steps:

i. JS Holding subscribed for 160,357,832.17 ordinary shares of the Company for a consideration of approximately US$470 million;

ii. through JY-SN, the Company in turn acquired 100% equity interest in Xiang Hong from Chen Hong (a wholly-owned subsidiary of Zheng Hong);

iii. Chen Hong distributed the consideration received for disposal of Xiang Hong to Zheng Hong, which then repaid SharkNinja Acquisition Loan in full.

Upon completion of the steps above on June 19, 2019, JS Holding held approximately 81.32% ordinary shares in the Company, and GA1 was beneficially owned as to 70% by the Company. As part of the Reorganization and commercial arrangements among the Company and its existing shareholders, the Company agreed to deliver no less than US$455.9 million but up to US$470 million cash to the shareholders on a pro rata basis before the Global Offering as special dividend. Such special dividend was paid on October 16, 2019. See "Financial Information—Indebtedness—Interest-bearing Bank Borrowings".

5.2 Share Subscription by SN Investors

During the period from June 22, 2019 to June 24, 2019, the SN Investors acquired in total 30% ordinary shares in Compass from Compass Aggregator, Ltd. through a series of share transfers. On June 24, 2019, MR Investor, one of the SN Investors, transferred 2,325.44 ordinary shares of Compass to Comfort Home for a consideration of US$49,000,000. The consideration was settled on June 24, 2019.

On June 14, 2019, each of the SN Investors entered into a share subscription agreement with the Company, pursuant to which the SN Investors agreed to exchange their respective shares in Compass with the Company in consideration for an aggregate of 35,730,688.99 ordinary shares to be issued by the Company on a pro rata basis. The consideration was settled on June 24, 2019.

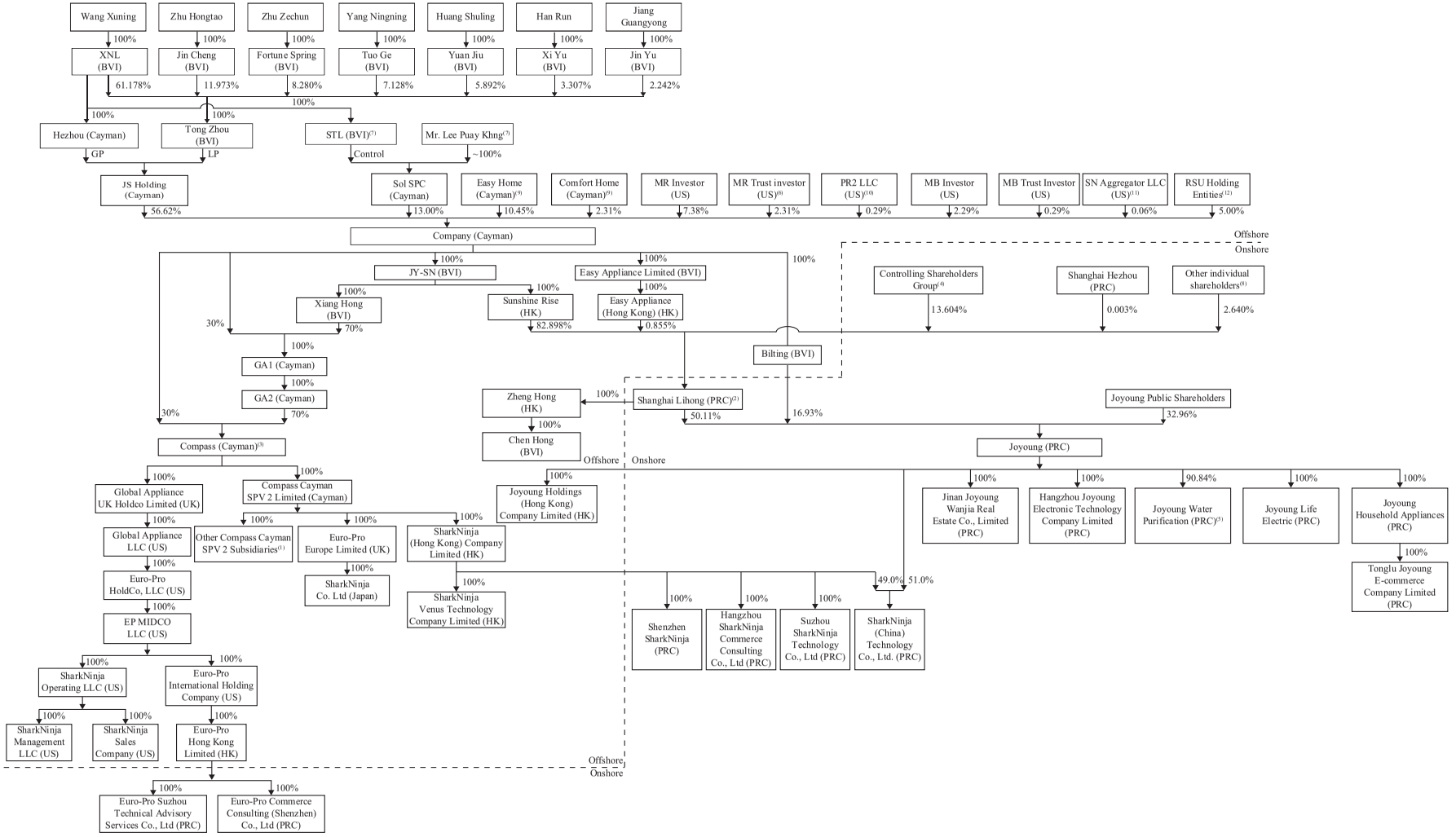
5.3 Share Subscription by Easy Home and Comfort Home

On June 14, 2019, Easy Home entered into a share subscription agreement with the Company ("Easy Home JS Global Share Subscription Agreement"), pursuant to which (1) Easy Home agreed to exchange its entire 30% equity interest in GA1 with the Company in consideration for 29,600,413.96 ordinary shares to be issued by the Company; and (2) Comfort Home agreed to exchange 2,325.44 ordinary shares in Compass with the Company in consideration for 6,555,616.63 ordinary shares to be issued by the Company; and (3) Easy Home agreed to transfer its 100% equity interest in Easy Appliance Limited, which in turn held 100% equity interest in Easy Appliance (Hong Kong), to the Company for a consideration of US$1,171,059.36. Upon completion of the share exchange above, Compass and Easy Appliance (Hong Kong) became wholly-owned subsidiaries of our Company.

6. RSU Plan

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, we have conditionally approved and adopted the RSU Plan. On October 9, 2019, the Board resolved to allot an aggregate of 141,618,409 Shares to the RSU Holding Entities. On October 25, 2019, the Company issued and allotted 141,618,409 Shares to the RSU Holding Entities, through which the trustee of the RSU Plan holds our Shares pursuant to the RSU Plan on trust for the grantees. As of the date of this prospectus, 129,265,801 restricted stock units had been granted under the RSU Plan. The principal terms of the RSU Plan are set out in the section headed "Appendix IV—Statutory and General Information – D. RSU Plan."

The following chart sets out the shareholding and corporate structure immediately after the Reorganization but prior to the Completion of the Global Offering.



(1) Other Compass Cayman SPV 2 Subsidiaries include SharkNinja UK Ltd., SharkNinja EPE Ltd. and UK Euro-Pro Limited, which are wholly-owned subsidiaries of Compass Cayman SPV 2 Limited incorporated in the United Kingdom.

(2) On April 22, 2019, Joyoung repurchased and cancelled 140,000 shares of its locked restricted shares. As a result, Shanghai Lihong's shareholding in Joyoung increased from 50.10% to 50.11%.

(3) On September 29, 2017, Compass established a Management Equity Incentive Plan pursuant to which, up to 4,054 PI shares ("PI Shares") of Compass each with a par value of US$0.01 and without voting rights can be awarded to all the service providers of Compass and its subsidiaries as determined by the board of directors of Compass. As of the Latest Practicable Date, (1) 1,919 PI Shares have been awarded to Mr. Mark Adam Barrocas, among which 140.18 PI Shares have vested in September, 2019; and (2) 1,027 PI Shares have been awarded to certain other management and employees of Compass and its subsidiaries, among which 74.45 PI Shares have vested in September, 2019 (collectively the "Vested PI Shares"). Compass exercised its right to repurchase 20.19 Vested PI Shares from the two holders thereof in connection with the termination of employment with them and the repurchase has completed in September, 2019. Compass terminated the Management Equity Incentive Plan in October, 2019. Upon such termination, (1) all the PI Shares awarded but not vested (i.e. 2,731.37 PI Shares) have become invalidate; and (2) the remaining 194.44 Vested PI Shares are expected to be exchanged to 5,481,600 Shares of our Company after six months after the completion of the Global Offering.

(4) The members of Controlling Shareholders Group will not nominate any representative to the board of directors of Shanghai Lihong, which is the supreme organ of Shanghai Lihong under applicable PRC laws and regulations; and after the completion of the Global Offering, the dividends of Shanghai Lihong attributable to the Controlling Shareholders Group (if any) will be distributed to the shareholders excluding the Controlling Shareholders Group, Shanghai Hezhou, Sunshine Rise and Easy Appliance. See "Relationship with our Controlling Shareholders—Potential Conflicts of Interest and Corporate Governance Measures".

(5) As of the Latest Practicable Date, Joyoung Water Purification was 90.84% held by Joyoung, and 9.16% held by Na Qinfu, an Independent Third Party.

(6) MR Trust Investor was established by Mr. Mark Rosenzweig and the beneficiary of the MR Trust Investor are the children of Mr. Mark Rosenzweig, being the close associates of Mr. Mark Rosenzweig.

(7) STL held 100 management shares (representing 100% voting rights) and one class B participating shares (without voting rights) in Sol SPC; Mr. Lee Puay Khng held 368,304.24536 class A participating shares (representing 100% issued class A participating shares and without voting rights) in Sol SPC.

(8) Other individual shareholders include Mr. Cui Jianhua, a supervisor of Joyoung as well as a director of Joyoung Water Purification, Ms. Tian Deling, a director of Shanghai Lihong, and other individuals who are Independent Third Parties including Zhang Xiaobin, Liu Mingliang, Shi Lei, Tang Jun, Cai Xiujun, Chen Liang, Li Jinsheng, Xu Yifan, Xu Xinhui, Wang Xiaoru, Wang Bo, Wang Shu'an, Jiang Jinke, Zhu Wanhe, Xu Qingliang and Xing Xiuying.

(9) Easy Home and Comfort Home are wholly owned by CDH Fund V, L.P., an exempted limited partnership whose general partner is CDH V Holdings Company Limited.

(10) PR2 LLC is wholly owned by Neil Shah, an Independent Third Party.

(11) SN Aggregator LLC is wholly owned by Martin Knight, James Braithwaite, Purvin Shah, Dan O'Shaughnessy and Leyder Flores, who are Independent Third Parties.

(12) We adopted the RSU Plan on October 9, 2019 and issued and allotted 141,618,409 ordinary shares with a per value of US$0.00001 pursuant to the RSU Plan on October 25, 2019.

SHARE SUBDIVISION AND REPURCHASE AND CANCELLATION OF FRACTIONAL SHARES

On October 9, 2019, our Shareholders resolved that, each issued and unissued ordinary share of then par value of US$0.0001 each will be subdivided into 10 Shares of par value of US$0.00001 each. Immediately upon such subdivision, our Board resolved on the same day that, the Company will repurchase a total of 4.8 Shares from shareholders of the Company and cancelled such 4.8 Shares for the purpose of eliminating fractional shares.

Upon the subdivision, repurchase and cancellation, the authorized share capital of the Company shall be US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each, of which 2,690,749,768 Shares are issued and fully paid-up.

PRE-IPO INVESTMENTS

1. Pre-IPO Investment by Comfort Home in 2019

On June 14, 2019 Comfort Home entered into a share subscription agreement with MR Investor, pursuant to which Comfort Home agreed to purchase 2,325.44 ordinary shares in Compass held by MR Investor through Comfort Home at a consideration of US$49,000,000. See "—Reorganization—5.3 Share Subscription by Easy Home and Comfort Home." After the completion of this transaction, 2,325.44 ordinary shares in Compass were held by Comfort Home.

Name of Pre-IPO Investor	Comfort Home
Date of investment	June 14, 2019
Number of shares purchased	2,325.44 ordinary shares in Compass
The consideration paid	US$49,000,000
Investment cost per Share(1)	HK$5.85
Premium to the Offer Price(2)	12.5%
Closing date	June 24, 2019
Basis of consideration	Based on arm's-length negotiations between the relevant parties after taking into consideration the business value of Compass and its subsidiary at the time of the investment.
Lock-up period	Six months

Notes:

(1) The investment cost per share was calculated based on the exchange rate of HK$7.8281 to US$1.00 and dividing (a) total investment cost by (b) the number of Shares held immediately before the completion of the Global Offering.

(2) Calculated based on the Offer Price of HK$5.20 per Share and the assumption that the price paid per share is adjusted for the dilutive effect of the Global Offering.

2. Pre-IPO Investment of Victory Ride

On June 24, 2019, JS Holding (which was then known as Hezhou Limited Partnership) and Victory Ride Holdings Limited ("Victory Ride") entered into an exchangeable bond subscription agreement, pursuant to which, JS Holding agreed to issue, and Victory Ride agreed to subscribe for a 12 per cent. exchangeable bond due 2022 in the principal amount of US$50,000,000 (the

"Exchangeable Bond"), the principal amount of the Exchangeable Bond shall be exchanged into the Shares upon exercise of the exchange right, subject to the consent of JS Holding and certain other terms and conditions set out in the Exchangeable Bond.

The table below sets out the principal terms of the Pre-IPO Investment by Victory Ride:

Name of Pre-IPO Investor	Victory Ride
Principal amount of the Exchangeable Bond	US$50 million
Issuance date of the Exchangeable Bond	June 24, 2019
Maturity date of the Exchangeable Bond	36 months from issuance, i.e. June 24, 2022
Interest rate	12% per annum
Exchange date	at any time immediately after the expiry of the Lock-up Period to the date falling ten Business Days before the Final Maturity Date, i.e. June 10, 2022
Exchange amount	up to full principal amount of the Exchangeable Bond (i.e. US$50 million)
Maximum amount of Shares Exchanged(1)	approximately 75,270,192 Shares representing approximately 2.26% of the total issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)), being the principal amount of the Exchangeable Bond to be exchanged divided by the Exchange Price
Exchange Price	Offer Price, subject to adjustment under certain circumstances primarily including share consolidation or subdivision, capitalization of profits or reserves, capital distribution, rights issue to all holders of the Shares by our Company provided that such adjustment is in compliance with, among others, Guidance Letters HKEx 29-12, HKEx 43-12 and HKEx 44-12.
Investment cost per Share	dividing (a) the principal amount of the Exchangeable Bond, by (b) the number of Shares exchanged.
Closing date	June 24, 2019
Basis of consideration	based on arm's length negotiations between the relevant parties after taking into consideration the business value of Compass and its subsidiary at the timing of the investment.

Notes:
(1) Calculated based on the Offer Price of HK$5.20 per Share, and at the rate of HK$7.8281 to US$1.00.

The Exchangeable Bond is secured by, inter alia:

(1) prior to Listing, a mortgage granted by JS Holding in favor of Victory Ride over all the certificated ordinary shares of our Company (representing approximately 59.59% of the outstanding total issued share capital of our Company) held by JS Holding, which

mortgage shall be released on or prior to the Listing, provided that JS Holding shall not permit any transfer of the same amount of ordinary shares subject to the mortgage during the Lock-up Period; and

(2) after expiry of the Lock-Up Period and to the extent permitted by Rule 10.07 of the Listing Rules (i) security over the Shares in a restricted account ("Restricted Account"), in which a sufficient amount of Shares and/or cash shall be deposited on the Listing date to ensure that the Collateral Value Ratio (defined below) is no greater than 33.33%. After the Listing date, the Issuer shall within three business days after the occurrence of a top-up event (as defined in the Exchangeable Bond) (i) pay cash into or (ii) deposit additional Shares into the Restricted Account to ensure a Collateral Value Ratio of 33.33%.

Collateral Value Ratio means, at any time on or after the Listing, the ratio (expressed as a percentage) of:

(x) the sum of principal (i) outstanding, or (ii) converted into the Shares still held by Victory Ride, less the amount of cash deposited with the Restricted Account;

divided by:

(y) the market value of the Shares deposited in the Restricted Account calculated by reference to the most recent closing price.

In addition to the Restricted Account, JS Holding is required to open and maintain an "Unrestricted Account" and deposit sufficient Shares into the Unrestricted Account to ensure that the value of the Shares (and, where relevant, additional cash) standing to the credit of the Unrestricted Account complies with a ratio no greater than 33.33%, being the ratio of:

(a) the principal amount of the Exchangeable Bond that is outstanding at that time, minus the cash deposited in the Restricted Account at that time,

divided by:

(b) the market value of the Shares deposited in the Unrestricted Account calculated by reference to the most recent closing price.

Shares in the Restricted Account are subject to security starting from the expiry of the Lock-up Period, whereas Shares in the Unrestricted Account are never subject to security. Accordingly, JS Holding will not cease to be a Controlling Shareholder of our Company during the Lock-up Period.

Strategic Benefit from Pre-IPO Investments

We are of the view that our Company can benefit from the Pre-IPO investors' investment in the Company, and that their investments demonstrate their confidence in our Group's operations and serve as an endorsement of our Company's performance, strengths and prospects. Comfort Home and Victory Ride are professional strategic investors in relevant industries which can provide us with professional advice on our Group's development and can help us achieve business synergies through enhanced business cooperation.

Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), (1) JS Holding will hold in excess of 10% of our enlarged share capital; (2) Sol SPC will

hold in excess of 10% of our enlarged share capital; (3) CDH Fund V, L.P. will hold in excess of 10% of our enlarged issued share capital; (4) MR Investor is wholly owned by Mr. Mark Rosenzweig, a director of Compass, which is the holding company of SharkNinja group of companies; (5) MR Trust Investor was established by Mr. Mark Rosenzweig and the beneficiary of the MR Trust Investor is the children of Mr. Mark Rosenzweig, being the close associates of Mr. Mark Rosenzweig; (6) MB Investor is wholly owned by Mr. Mark Adam Barrocas, who is serving as, among others, a director of SharkNinja (China) Technology Co., Ltd., which is an insignificant subsidiary of the Company; (7) MB Trust Investor was established by Mr. Mark Adam Barrocas and the beneficiary of the MB Trust Investor is the children of Mr. Mark Adam Barrocas, being the close associates of Mr. Mark Adam Barrocas; and (8) the voting rights attached to the Shares held by the Trustee (as defined below) under the RSU Plan shall be exercised by the chairman of each general meeting of the Company, who shall be chosen pursuant to Article 13.3 of the Memorandum of Association and is highly likely to be a Director of the Company. Therefore, the Shares held by JS Holding, Sol SPC, CDH Fund V, L.P. through Easy Home and Comfort Home, MR Investor, MR Trust Investor, MB Investor, MB Trust Investor and the RSU Holding Entities will not count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Information about the Pre-IPO Investors

1. Comfort Home

Comfort Home was incorporated as an exempted company in the Cayman Islands with limited liability on April 10, 2019. It is wholly owned by CDH Fund V, L.P., an exempted limited partnership formed under the laws of Cayman Islands with CDH V Holdings Company Limited acting as its general partner which focuses on private equity investments.

2. Victory Ride

Victory Ride is an investment holding company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of ICBC International Holdings Limited ("ICBCIH"). ICBCIH, together with its group companies, is the offshore investment services platform of Industrial and Commercial Bank of China Limited, based in Hong Kong, and the holding company of ICBC International Capital Limited ("ICBCI Capital") and ICBC International Securities Limited ("ICBCI Securities"). The group companies of ICBCIH mainly render a variety of investment-related services, including listing sponsorship and underwriting, equity financing, bond underwriting, direct investment, securities sales and brokerage and asset management.

SHAREHOLDERS' RIGHT

Each of the Company, JS Holding, Easy Home, Comfort Home, Sol SPC, the SN Investors and Compass entered into a shareholders agreement on June 24, 2019 (the "Shareholders' Agreement"), pursuant which:

1. at any time after an initial public offering of the Shares of our Company until the date on which JS Holding and its affiliates, in aggregate, hold less than 30% of the Shares of the Company, (a) if any shareholder other than JS Holding (the "Selling Shareholder(s)") proposes to transfer any Shares representing 5% or more of the Shares outstanding at the time of the proposed transfer (the "Selling Shares") to a transferee at a given price, JS Holding has a right of first refusal to purchase all (but not less than all) the Selling Shares

on the terms and conditions stated in the transfer notice given by the Selling Shareholders; and (b) if the Selling Shareholder proposes to transfer the Selling Shares in the market at the then current market price, JS Holding has a right of first refusal to purchase all or any portion of the Sell Shares (the "Right of First Refusal");

2. if any Selling Shareholders propose to transfer any Shares to any person that competes with, or has an affiliate that competes with the Company or any of its subsidiaries in any material respects (the "Competitor Transfer"), JS Holding has a right to decide whether it consents to the proposed Competitor Transfer or not (the "Restriction on Transfer to Competitors"); and

3. each SN Investor was granted an option to require Compass to purchase all or a portion of the Shares of the Company beneficially owned by such SN Investors (the "Put Right") at the applicable put/call price subject to the terms and conditions of the Shareholders' Agreement; and such Put Right is only exercisable if the Listing does not take place and has replaced the Put Option related to 30% equity interest in Compass, which was terminated upon the completion of the restructuring of Compass (see "—Major Acquisition").

Pursuant to the Shareholders Agreement, all the special rights granted to the relevant shareholders (other than the Right of First Refusal and Restriction on Transfer to Competitors) including, among others, the Put Right, director appointment rights, pre-emptive right, call right, restriction on transfers and the consent right on specific corporate matters will be automatically terminated on the consummation of an initial public offering of any shares of the Company.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the Listing Date, being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the pre-IPO investments, and (ii) all the special rights granted to the Pre-IPO Investors will be terminated upon the Listing, the Joint Sponsors have confirmed that the pre-IPO investments are in compliance with the Interim Guidance on pre-IPO investments (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

POST TRACK RECORD PERIOD ACQUISITION

As of the Latest Practicable Date, the Company is negotiating with a target Company ("Target Company"), which is an Independent Third Party, and its shareholders for potential acquisition of a portion or all of the equity interest and/or business of the Target Company ("Proposed Acquisition"). The Company will determine the consideration of the Proposed Acquisition with reference to the business operation status, financial status, industry influence and future development of the Target Company. The consideration is expected to be paid in cash.

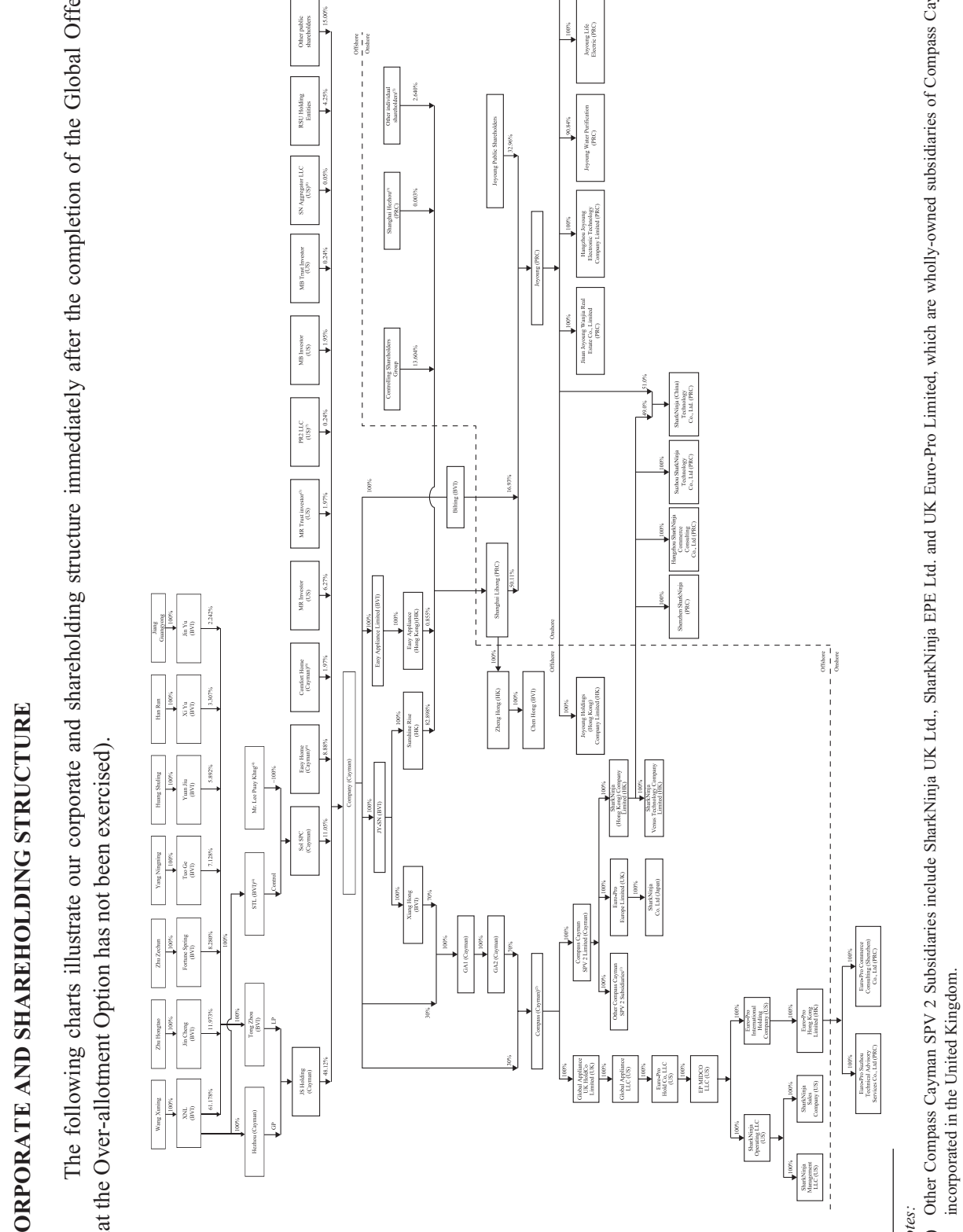
According to the unaudited management accounts prepared by the Target Company, its total assets amounted to approximately RMB20.39 million as of June 30, 2019. According to the accountants' report prepared by the reporting accountants engaged by the Target Company, its loss before taxation and net loss amounted to RMB13.17 million and RMB26.92 million, respectively, for the year ended December 31, 2017 and 2018.

The Target Company was incorporated in 2014 in the PRC primarily engaging in the provision of vision navigation and orientation technology. The core products and services of the Target Company comprise scene aware cameras, auto-drive navigation and orientation controllers as well as providing mobile robots planning and controlling hardware platform services. It is expected that the Proposed Acquisition would enable the Company to improve its innovative capability.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the Proposed Acquisition. See "Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Post Track Record Period Acquisition."

CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate our corporate and shareholding structure immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised).



Notes:

(1) Other Compass Cayman SPV 2 Subsidiaries include SharkNinja UK Ltd., SharkNinja EPE Ltd. and UK Euro-Pro Limited, which are wholly-owned subsidiaries of Compass Cayman SPV 2 Limited incorporated in the United Kingdom.

(2) On September 29, 2017, Compass established a Management Equity Incentive Plan pursuant to which, up to 4,054 PI shares ("PI Shares") of Compass each with a par value of US$0.01 and without voting rights can be awarded to all the service providers of Compass and its subsidiaries as determined by the board of directors of Compass. As of the Latest Practicable Date, (1) 1,919 PI Shares have been awarded to Mr. Mark Adam Barrocas, among which 140.18 PI Shares have vested in September, 2019; and (2) 1,027 PI Shares have been awarded to certain other management and employees of Compass and its subsidiaries, among which 74.45 PI Shares have vested in September, 2019 (collectively the "Vested PI Shares"). Compass exercised its right to repurchase 20.19 Vested PI Shares from the two holders thereof in connection with the termination of employment with them and the repurchase has completed in September, 2019. Compass terminated the Management Equity Incentive Plan in October, 2019. Upon such termination, (1) all the PI Shares awarded but not vested (i.e. 2,731.37 PI Shares) have become invalidate; and (2) the remaining 194.44 Vested PI Shares are expected to be exchanged to the 5,481,600 Shares of our Company after six months after the Global Offering.

(3) MR Trust Investor was established by Mr. Mark Rosenzweig and the beneficiary of the MR Trust Investor are the children of Mr. Mark Rosenzweig, being the close associates of Mr. Mark Rosenzweig.

(4) As of the Latest Practicable Date, STL held 100 management shares (representing 100% voting rights) and one class B participating shares (without voting rights), Mr. Lee Puay Khng held 368,304.24536 class A participating shares (representing 100% issued class A participating shares and without voting rights).

(5) Other individual shareholders include Mr. Cui Jianhua, a supervisor of Joyoung as well as a director of Joyoung Water Purification, Ms. Tian Deling, a director of Shanghai Lihong, and other individuals who are Independent Third Parties including Zhang Xiaobin, Liu Mingliang, Shi Lei, Tang Jun, Cai Xiujun, Chen Liang, Li Jinsheng, Xu Yifan, Xu Xinhui, Wang Xiaoru, Wang Bo, Wang Shu'an, Jiang Jinke, Zhu Wanhe, Xu Qingliang and Xing Xiuying.

(6) Easy Home and Comfort Home are wholly owned by CDH Fund V, L.P., an exempted limited partnership whose general partner is CDH V Holdings Company Limited.

(7) PR2 LLC is wholly owned by Neil Shah, an Independent Third Party.

(8) SN Aggregator LLC is wholly owned by Martin Knight, James Braithwaite, Purvin Shah, Dan O'Shaughnessy and Leyder Flores, who are Independent Third Parties.

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the State Administration for Industry and Commerce and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic non-foreign-invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares or equity interests in PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that (1) the Sunshine Rise Capital Increase was subject to the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) rather than the M&A Rules because Shanghai Lihong, as a target, was a sino-foreign joint venture prior to the Capital Increase. Accordingly, the Sunshine Rise Capital Increase was not subject to approval from the MOFCOM under the M&A Rules; and (2) our listing on the Stock Exchange is not subject to prior approval from CSRC under the M&A Rules.

SAFE Registration

Pursuant to the SAFE Circular on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知》) ("SAFE Circular 37"), promulgated by SAFE and which became effective on July 4, 2014 and which replaced the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Round-trip Investment through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle

may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the SAFE Circular on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) ("SAFE Circular 13"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branches to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, Mr. Wang Xuning, Mr. Zhu Hongtao, Ms. Yang Ningning, Ms. Han Run, Ms. Huang Shuling, Mr. Jiang Guangyong and Mr. Zhu Zechun, who are known to us as being PRC citizens, each has completed his/her registration in compliance with SAFE Circular 37 and SAFE Circular 13.

OVERVIEW

Mission

Our mission is to positively impact people's lives around the world every day through transformational, innovative and design-driven smart home products.

Company Profile

We are a global leader in high-quality, innovative small household appliances. Our success is centered around our deep understanding of consumer needs, and is built on our strong product innovation and design capability powered by a global research and development platform, marketing strengths driving high brand engagement, and an omni-channel distribution coverage with high penetration. We continuously develop new products and expand into new categories. Through our diverse product portfolio, we cultivate markets, create consumer demand, lead our categories by building up market anticipation around product launches, and reshape consumer behaviors and lifestyles around the world. With our trusted market-leading brands, Joyoung, Shark and Ninja, we continue to maintain our leadership in China and the United States, the two largest small household appliance markets, and focus on expanding globally in new markets.

We are committed to serving local needs in cleaning and kitchen across the globe with our multi-brand and comprehensive product portfolio. In our main product categories, we have generated and maintained an industry-leading market share.

Through our global research and development platform, we have introduced transformational innovative design-driven products to the markets, ranging from revolutionary products that are original or market-first, to evolutionary products that are market-disruptive, to upgraded products with enhanced design and functionality.

OUR STRENGTHS

Global Industry Leader with Trusted Household Brands

We are a global leader in high-quality, innovative small household appliances, with a number of successful and trusted brands worldwide, including Joyoung, Shark and Ninja. Our brands focus on core values including technological innovation, high quality, health consciousness and consumer focus. We constantly enhance and revolutionize the consumer experience by leveraging our ability to identify consumer needs, our capability to drive product innovation and our strong global commercialization capabilities, thereby improving consumers' lifestyles. Our brands are trusted by retailers and consumers, which enables us to continuously introduce new products to the markets.

We develop small household appliances, catering to local needs in different international markets. While our business is rooted in China and the United States, the two largest small household appliance markets in the world, we have expanded into other developed markets around the world. As an industry leader, we have successfully created a number of new white-space product categories. In addition, we maintain a leading market share in our major product categories which attests to our brands' success:

- In China, we ranked third in the small household appliance market in terms of retail sales value in 2018.

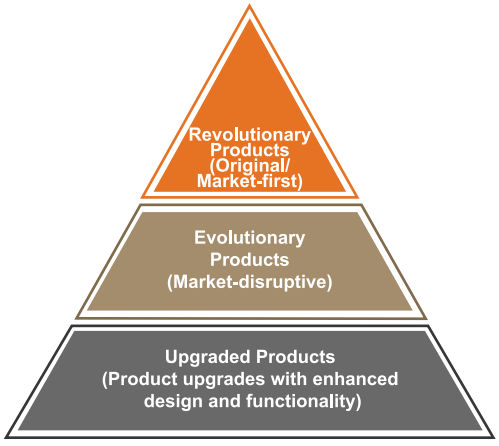
- In the United States, we ranked second in the small household appliance market in terms of our retail sales value in 2018.
- We have also established strong presence in the smart home product market. We introduced the Shark intelligent robotic vacuums in 2017 and quickly secured the second-largest market share in the United States of 19.0% in 2018. We also successfully launched the heating, noiseless and wash-free fully automated intelligent soymilk makers in China in 2017. In 2018, we successfully expanded in the cooking appliance market in the United States and Canada with our Ninja Foodi and have gained sizeable market share in that market in less than a year.
- We have successfully expanded into other markets around the world, such as the United Kingdom. We ranked sixth in the small household appliance market in the United Kingdom in terms of retail sales value in 2018.

We have a diverse portfolio of innovative products which allows us to maintain sustainable growth, create new product categories, grow the market share, lead the consumption upgrade and position ourselves at the forefront of future trends for smart home product.

Category Disruptor with a Proven Track Record of Introducing Innovative Products, Creating New Market Segments and Generating Consumer Demand

We have the ability to continuously innovate through our intense focus on consumer needs, our ability to assess and predict future market development and consumption trends, as well as our continuous pursuit of technology, high performance, functionality and ground-breaking appealing product design. By combining our consumer-centric product innovation and market-leading consumer demand generation, we have been able to create new market segments and disrupt existing categories. See "—Awards and Recognitions."

We have research and development centers around the globe located in the United States, China, and the United Kingdom. This global platform powers our product development capabilities by encouraging collaboration and knowledge sharing across locations and categories. They enable us to apply core technologies and engineering innovation across product categories to shorten our product development cycle.



We have the ability to create and define market segments. Through in-depth understanding and accurate prediction of consumer needs, we have been continuously introducing revolutionary products,

creating new market demands, and diversifying our product categories to establish a diversified and sizable portfolio. In a time when soymilk making was a time-consuming and cumbersome process, we invented our first Joyoung automatic home-made soymilk maker which was revolutionary and the first in the market in 1994. Thereafter, we have been continuously creating new product categories. For example, we successfully launched a brand-new series of high-performance multifunctional blenders in China in 2016, and continued to develop customized product functionalities including heating, noiselessness and wash-free, opening up the market for high-performance multifunctional blenders with this new series of products and quickly achieved US$196.9 million in sales revenue in 2018. Leveraging our strong technological expertise and global commercialization capabilities, we launched our Shark Lift-Away vacuums in the United States in 2010 for the first time, allowing consumers to lift away the canister for the freedom of easily cleaning above floors. We also introduced Foodi to the US and Canadian markets in 2018, a ground-breaking product series under the Ninja brand. Foodi was the first in the market that combines two popular cooking techniques, pressure cooking and air frying, into one multifunctional cooker, achieving food texture that is tender inside and crispy outside. Foodi quickly became a blockbuster product in the US and Canadian markets, creating a new category in our cooking appliances portfolio. In 2010, we also launched our Ninja Kitchen System, which combines professional blending capabilities with food processing capabilities by utilizing one blender base with multiple attachments, and it is another successful example of our market-first solution addressing consumer pain points.

We consistently transform and upgrade our products. We have a deep understanding of the consumer behaviors and pain points at different stages of the product life cycle, and focus on product optimization. By addressing these pain points, we encourage consumers to upgrade their existing products to new generations of evolutionary products. Our Joyoung soymilk maker has gone through generations of upgrades from the original series, to the soak-free generation released in 2009, to the filter-free generation released in 2014, and to the heating, noiseless and wash-free fully automated intelligent soymilk makers released in 2017. This has enabled us to continuously grow while securing the leading market share in the industry for an extended period. Our Shark vacuums have also been continuously improved since their launch. From our original upright vacuums in the United States and Canada, we have introduced additional functionalities such as next-generation Lift-Away, Powered Lift-Away, DuoClean and ZeroM. We have further leveraged that technology and expanded into additional segments of the vacuum category including corded stick vacuums, cordless stick vacuums, cordless handheld vacuums and the intelligent Shark ION robotic vacuum. Our Shark products have transformed cleaning appliance industry in the United States, securing the largest market share in the vacuum market and the second-largest market share in the robotic vacuum market in the United States.

Our innovation is driven by our pursuit of design optimization and accumulation of technology expertise. With the support of our global design and development teams, we continue to strengthen our DNA of innovation and technological capabilities. Our products have won a number of world-renowned design and technology awards, including the iF Design Award, the Red Dot Design Award, and Red Star Award (China) (中國設計紅星獎). We apply the advanced technologies and development experience across different product lines for the development of new products.

Highly Effective Omni-channel Sales, Marketing and Distribution Strategy, Maximizing Global Market Penetration

We have secured the leading position in China and the United States, the two largest global small household appliance markets, and have established differentiated channel strategies and a robust

omni-channel sales, marketing and distribution network that are tailored to the respective local markets. Our global expansion has also extended our footprint to other international markets including Canada, the United Kingdom, France, Germany, Japan, and Australia. We have a prominent and high-profile position in the channels where our consumers choose to shop.

In China, we have adopted the consumer-centric new retail business model of the small household appliance industry. Consumers participate in the development of products through providing their feedback, which has become part of the integrated consumer experience. Retailers have extended from online-only or offline-only into seamless omni-channel distribution channels. We have been cultivating the regional markets for years, accumulating abundant valuable experience and local resources, and maintaining long-term in-depth cooperation with key distributors and retailers to establish an extensive network of distributors and sales points nationwide. As of the Latest Practicable Date, we had approximately 40,000 sales points for Joyoung brand throughout China, among which there were approximately 700 Joyoung branded stores. We also had 201 offline sales points for Shark brand. Through our unique offline, experience-based marketing strategies, our consumers can try our products and get first-hand experience of how our innovative products will improve their lives. Furthermore, we are one of the pioneers in the small household appliance industry to adopt an online sales model, and approximately 50% of Joyoung segment's revenue in 2018 was generated from our online sales channels. We have an established system for online direct sales and distribution. We directly operate our online flagship stores on Tmall for the Joyoung brand, the Shark brand and the Ninja brand, and our "Joyoung Mall" through the WeChat platform to obtain first-hand feedback. We distribute through all major e-commerce platforms, such as Tmall, JD.com and Suning.com and we believe that we can expand consumer reach by taking advantage of the established consumer base and brand recognition of the major e-commerce platforms. We also constantly explore new e-commerce models, such as developing a "micro partners" program through social e-commerce channels to promote the sales of our products. The average daily traffic in the month preceding the Latest Practicable Date through three of the e-commerce platforms that we have presence on, namely, Taobao, JD.com and Suning.com, reached 1.1 million in aggregate, with over 15.1 million subscribers in aggregate on these three platforms as of the Latest Practicable Date. The integration of our offline and online resources has expanded our consumer reach and enhanced consumer experience.

In the US, Canada and the UK markets, we have a high penetration rate in both online and offline retail channels. We have formed our DTC and DTR sales models. For DTC, we sell products direct to consumers through our SharkNinja website or television shopping platforms, which enable us to obtain first-hand knowledge of consumer behaviors. For DTR, we have established long-standing relationships with key retailers. We sell our products through both online and offline channels of the key retailers including Wal-Mart, Target, Costco, Amazon, Kohl's, Bed Bath & Beyond and Sam's Club. Through our proven track record of being able to launch transformational products, generate demands and take market share in a product category while also contributing to the growth of the category itself, we have gained credibility with these retailers. As a result, we have been able to generate wide distribution and retail penetration for our new product launches very quickly, which allows us to rapidly generate significant sales volume for our new product. Our proven track record of introducing category-leading products has contributed to the performance of our retailers especially during the peak holiday seasons, further solidifying the confidence our retailers have in our brands and our products.

In addition to China, the United States, Canada and the United Kingdom, we have entered other international markets, including Germany, France, Japan, and Australia. We have adopted channel

strategies tailored to different regions, to help us quickly penetrate the respective markets and obtain consumer feedback, and ultimately proceed with improvements to our products based on local needs.

Loyal and Engaged Consumer Base, Driving Virtuous Cycle in Our Business Ecosystem

We highly value consumer reviews and use them to address consumers' unmet needs and pain points by creating new products and continuously improving our existing products, resulting in a high level of consumer confidence. Our consumer base is loyal and willing to make repeat purchases through our product upgrades and cross-selling. In addition, we maintain close online and offline interactions with our consumers, and through continuous direct communication with consumers and the collection and consolidation of data, we improve overall consumer experience and increase consumer activity and loyalty. At the same time, our consumer interactions drive product upgrades and innovation, thereby achieving a virtuous cycle and propelling our future growth.

In China, we stimulate consumers' frequency of communication and engagement through different online platforms: as of the Latest Practicable Date, we had more than six million subscribers on our WeChat platform and more than 15.1 million subscribers on three of our e-commerce platforms that we have presence on, namely, Taobao, JD.com and Suning.com. Often times our products come with a unique product code that consumers can scan or input to register the product on our official WeChat or website platforms. Once registered, consumers can access comprehensive after-sales services including consultation, news-sharing and warranty and send feedback to us directly. Meanwhile, we also leverage other new media and social platforms. For example, we cooperate with Key Opinion Leaders on platforms such as Weibo and TikTok, to expand the reach of our consumer interaction, and we produce corresponding content for different products to improve our communication quality with consumers. For offline consumer engagement, we interact with our consumers actively through store-based experiential marketing and over 2,300 offline after-sales service centers, and we integrate consumer information into our online user system. Through both online and offline coverage, we serve our consumers through various channels and further enhance their consumer experience, as well as loyalty to our brands.

In the United States and Canada, significant marketing and advertising investment is a critical component of our go-to market strategy. A 52-week-a-year "always on" strategy consists of long-form and short-form television advertising as well as digital advertising. These investments help to educate consumers on Shark and Ninja's product innovation and create strong awareness and consumer demand for Shark and Ninja's products. This same strategy translates to creating consumer demand in the United Kingdom and Japan as well. Also, understanding the consumers' evolving habits in researching products and shopping, we continuously work to ensure that our consumers are provided with an engaging shopping experience with relevant information. We use social media platforms to ensure our continuous and comprehensive consumer exposure. For example, we cooperate with KOLs on platforms such as Instagram and Facebook. Several online communities have been spontaneously created by our Shark and Ninja superusers in addition to actively following on mainstream social media platforms. Furthermore, we have a consumer insights team which is responsible for gathering and disseminating consumer feedback in support of product development and commercialization strategies.

Synergies Derived from Our Highly Complementary Global Businesses, Propelling Sustainable Future Growth

We have synergies among our product development, marketing, and operations teams in our highly complementary global business, running through our value chain including research and development collaboration, market expansion and supply chain purchasing scale.

We have an international design, research and development team located in five cities in China, the United States and the United Kingdom. Utilizing our understanding of different markets and accumulated technology know-how and applications expertise, we have collaborated on the development of a number of products within a short period of time, and have carried out successful commercialization of those products in China and the United States including the revolutionary Foodi series under our Ninja brand. Also, our robotic vacuum development is supported globally across the United States, United Kingdom and China. These collaboration efforts include peer review of our prototypes, product engineering, safety and function reviews.

We also utilize the established sales network and omni-channel marketing strategies to actively introduce our Shark and Ninja brands to the Chinese market as well as bring our Joyoung products into the US, Canada and other international markets. As of the Latest Practicable Date, we opened 201 offline sales points for Shark brand in China and established its omni-channel sales network to help Chinese consumers better understand the outstanding product quality and user experience of the Shark brand, supporting fast product rollout and penetration.

We empower our global business with a highly flexible and accommodating supply chain system based in China. Our data-empowered supply chain management system, connected with our suppliers, continues to lower supply chain cost and increase overall operational efficiency, as our global business advances.

The continuous realization of synergies within our global business provides a strong driving force to our future development.

Seasoned Senior Management Team with Global Experience Led by Our Visionary Founding Shareholders

We are led by our founders and our global senior management team, which is equipped with an entrepreneurial spirit for continuous innovation.

Our Chairman, Chief Executive Officer and executive Director of the Company, chairman of Joyoung, global chief executive officer of SharkNinja and chairman of the Strategy Committee and Nomination Committee of the Company, Mr. Wang Xuning (王旭寧), founded our Group in 1994 and was awarded the Ernst & Young (China) Entrepreneur Award (安永(中國)企業家獎) in 2012, the "Top Ten Innovative Figures in Home Appliance Industry of China (中國家電十大創新人物)" by people.com.cn (人民網) in December 2008 and the Highest Technology Award of Jinan (濟南市科技最高獎) in 2011.

Our senior management team has valuable industry experience in various markets around the world, and has been serving the Company for many years. See "Directors and Senior Management." The entrepreneurial spirit has been the core of the company culture and our senior management team has led the creation of our successful and innovative products. We established reasonable management

incentive plans to ensure that the interests of our senior leadership team and future public shareholders are aligned.

Our shareholders are highly experienced in the consumer industry with a successful track record of assisting with integrating cross-border businesses and will provide long-term support to our Company.

OUR STRATEGIES

We are committed to driving sustainable long-term growth and strengthening our market position as a global leader in small household appliances through the following strategies:

Develop and Commercialize Innovative Products, Combining Powerful Technology and Appealing Designs

We will continue to develop and commercialize innovative products combining powerful technology and appealing designs, contributing to the improvement of quality of life for consumers around the world and further consolidating our leading position in our major product categories.

We plan to further invest in our capability in collecting and analyzing consumer feedback in order to deepen our consumer insights, enabling our research and development centers around the globe to timely upgrade our products and develop new products addressing consumers' rapidly evolving needs in cleaning and kitchen. We expect to continue to devote significant resources in developing our technological and hardware engineering capabilities through investing in talent retainment and recruitment, infrastructure and third-party partnership. We plan to continue to invest in IoT, robotics, battery and smart technologies to keep abreast of the latest consumption trends and bring our consumers the experience of smart home. We also aim to push our efforts in product design to achieve a high level of aesthetic refinement to meet consumer demand for appealing products to upgrade consumers' lifestyle.

Drive Sustainable Long-term Growth Through Sales Network and Product Category Expansion

Expand Sales Network

We have implemented a globalization strategy by building up our sales and distribution network and strong user base in the United States, China and the United Kingdom, and by extending our sales to a variety of other countries. We aim to drive sustainable growth globally and further expand market share mainly through the following strategies.

We plan to further consolidate our leading position in our major markets including China and the United States by expanding our sales channels, maximizing distribution synergies, and increasing our marketing efforts within these two markets. In China, we aim to roll out our consumer-centric new retail strategy by further expanding our network of branded stores, developing our digital sales channels and new e-commerce models, augmenting the synergies between our online and offline channels to effectively expand our consumer reach and enhance consumer experience. In the United States, we intend to continue to expand our online sales channels, deepen our cooperation with major e-commerce platforms and enhance customer engagement via new media. Meanwhile we intend to continuously enhance our offline presence and shelf position through broader product offerings.

With respect to our growth strategy in other international markets, we expect to actively expand and enhance our sales channels and continuously enhance brand recognition in markets where we have presence such as the United Kingdom, Germany, France, and Japan. We have achieved significant growth in the United Kingdom since we entered the market in 2013 and became the third largest player in the vacuum market in 2018. We also plan to strategically expand our footprints in international markets through our distributor relationships and constantly monitor and re-assess market development for the potential of direct entry.

Expand Product Category

With our innovative DNA, we aim to drive sustainable and resilient growth in every market through expanding into new product categories, especially in the smart home categories. We expect to further strengthen our leading position in the robotic vacuum market by continuing to expand product offerings and further invest in research and development of robotic technology. We plan to leverage the existing success with robotic vacuums by expanding into other robotic appliance markets to help consumers do household chores in a simple way. To take advantage of the smart kitchen trend and meet consumers' evolving demands, we expect to further expand and develop kitchen appliances that can simplify and personalize consumers' culinary experience. For example, we will launch more products in the Foodi series and multifunctional steamer with enhanced functionalities and designs to optimize product operation and consumer experience.

Home environment appliances and kitchen appliances are our strategic growth areas. Sales in China of home environment appliances and kitchen appliances are expected to reach US$37.0 billion in retail sales value in 2023. We intend to fuel growth of our existing home environment and kitchen appliance categories by introducing more innovative products and broaden our product offering. For example, we have introduced a series of high-performance multifunctional blenders with heating and wash-free functions in China in 2016, and we have launched heating, noiseless and wash-free fully-automated smart soymilk makers in 2017.

Maximize Synergies between Joyoung Segment and SharkNinja Segment

We seek to maximize synergies within our highly complementary global business operation, running through our value chain, including research and development, supply chain, products and sales network. To realize such synergies, we have established integrated key performance assessment and incentive mechanism throughout our global operation.

For global research and development synergies, we have built a global innovation powerhouse running around the clock with research and development facilities and engineering talent spread across our five research and development centers in China, the United States and the United Kingdom. Our global research and development platform significantly enhances efficiency in new product development and minimizes time to market.

We also believe that there are strong synergies between Joyoung and SharkNinja's supply chains, both of which are located in China. Our large procurement scale on a consolidated basis and combined experience in supply chain management will enable us to continue to offer high-quality products at competitive prices.

For product and sales network synergies, we plan to launch localized products under the Shark and Ninja brands and leverage Joyoung's nationwide network and strong consumer service capability

to accelerate the penetration of the Shark and Ninja brands into China. We also expect to develop more products under the Ninja brand and further enhance Ninja's market share in the US market, leveraging Joyoung's strong competitive advantage in kitchen appliance technology.

We have aligned our key performance assessment and incentive mechanism between Joyoung and SharkNinja, to create a transparent and merit-based global talent evaluation and reward system. Our equity compensation schemes have been effectively enhancing loyalty and maximally mobilizing our employees across the Group. In addition, we plan to increase the sharing of operational and management's best practices, technology and market know-how to further improve our global competitiveness.

Strengthen Our Brand Recognition and Enhance Consumer Engagement

Our brands focus on core values including technological innovation, high quality, health consciousness and consumer focus. We intend to increase marketing and branding efforts to strengthen our brand recognition globally. For instance, we plan to increase our digital media investment and continue to implement a multi-channel marketing strategy that has been highly effective in educating consumers and creating and growing market demands for new products, and in quickly establishing our brand awareness in new international markets.

We intend to continue to leverage social media such as TikTok, Weibo, Facebook and Instagram to attract and expand our consumer reach within the younger generation, which will enlarge our consumer base and enhance brand loyalty through effective and interactive communication.

Our engagement with consumers through various online and offline formats, such as the focus group under SharkNinja, penetrates into every stage in our product development cycle that allows us to create products that are "designed" by our consumers and can satisfy evolving needs of our consumers.

Pursue Strategic Partnerships and Acquisitions

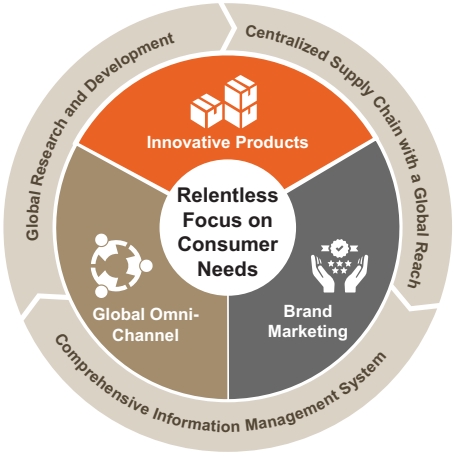
We have demonstrated our ability to execute synergistic acquisitions, such as the acquisition of SharkNinja that has greatly improved our competitiveness and accelerated our expansion into new markets.

To achieve future growth, we may selectively pursue strategic partnerships and acquisitions that complement our business and strategic priorities, such as for tapping into new markets and for locking in industry-leading proprietary technologies, taking into account factors such as the financial and competitive positions of the potential partners or acquisition targets. In pursuing strategic partnerships and acquisitions, we intend to continue to be flexible in transaction structures. Through a continued focus on effective cooperation with our strategic partners and integrating and enhancing the businesses we acquire, we plan to maximize synergies brought by the strategic partnerships and acquisitions. As of the Latest Practicable Date, except as disclosed in "History, Reorganization and Corporate Structure—Post Track Record Period Acquisition," we did not identify any other definitive acquisition target.

BUSINESS MODEL

We are a global leader in high-quality, innovative small household appliances. Our business processes, from research and development, procurement and production to sales and marketing, are

fully integrated and responsive to consumer needs. We focus on our three core competencies: (i) developing transformational innovative products with appealing designs, (ii) effecting multi-form brand marketing and (iii) building a global omni-channel sales network. They are supported by our operational infrastructure, comprising global research and development platform, centralized supply chain with a global reach and our comprehensive information management system across the entire value chain.



Core Competencies

- *Innovative Products with Appealing Designs.* Leveraging our global research and development network, we have introduced transformational innovative products with cutting-edge technologies and appealing designs to the markets, ranging from revolutionary products that are original or market-first, evolutionary products that are market-disruptive, to upgraded products with enhanced design and functionality.
- *Brand Marketing.* We operate a number of successful and trusted brands, including Joyoung, Shark and Ninja, and continuously drive high brand engagement and sales through our multi-channel marketing campaigns based on our profound market and consumer insights to broaden consumer reach.
- *Global Omni-channel Sales Network.* Our highly effective channel strategies and extensive omni-channel sales, marketing and distribution network are tailored to the respective local markets and maximize our international market penetration.

Operational Infrastructure

- *Global Research and Development*. The amassing of information on consumer feedback, preferences and behaviors through our global operation has fueled our collaborative and synergistic research and development platform led by our highly qualified and integrated international teams of experts in China, the United States and the United Kingdom.
- *Centralized Supply Chain with a Global Reach*. Our long history of operation, a strong relationship with our highly flexible and accommodating supply chain and our leading position in China, supported by our supply chain hubs around the world, enable us to achieve synergies and maintain an agile position, thereby increasing efficiency and profitability.

- *Comprehensive Information Management System.* We design our information management systems to collect data on consumer feedback, preferences and behaviors, and keep our business processes, from research and development, procurement and production to sales and marketing, fully integrated and responsive to such data. Our information management systems seamlessly connect various business units and parties involved in our operation to optimize efficiency. For example, our systems integrate real-time supplier data to inform and optimize our procurement and production planning as well as sales arrangements.

TRANSFORMATIONAL PRODUCTS CREATED BY GLOBAL RESEARCH AND DEVELOPMENT PLATFORM

Global Research and Development Platform

We are relentlessly moving forward, adapting to the market environment and dedicated to being on the leading edge of user-friendly innovation to make the lives of consumers easier and better. To achieve this goal, we have built a global innovation powerhouse running around the clock with research and development facilities and engineering talent spread across our five research and development centers in China, the United States and the United Kingdom. See "—Transformational Products Created by Global Research and Development Platform—Global Platform and Research and Development Cycle." We have accumulated insights into the different consumer preferences in various markets and have analyzed them in the context of local as well as global trends. Utilizing our understanding of different markets and accumulated technology know-how and applications expertise, we have collaborated on the development of a number of products within a short period of time and carried out successful commercialization of those products in China and the United States including the revolutionary Foodi product series under our Ninja brand. These collaboration efforts include peer review of our prototypes, product engineering, safety and function reviews.

Transformational Products

Through our global research and development platform, we have been continuously transforming innovative concepts into home environment appliances and kitchen appliances with attractive appearances and functionalities addressing consumer pain points.

In terms of development concepts, our products can generally be categorized into three groups: (i) revolutionary products, (ii) evolutionary products and (iii) upgraded products. Revolutionary products are market-first products developed based on our in-depth understanding, as well as accurate analysis and forecast, of consumer needs. Evolutionary products utilize evolutionary concepts or technologies to optimize an existing product line by providing more innovative features and are developed based on our understanding of consumer pain points at different stages of the product life cycle. We also routinely upgrade our existing products to roll out upgraded products with enhanced design and functionality catering to wider consumer demographics. As of June 30, 2019, we had 54 product lines. The following table summarizes our key revolutionary and evolutionary products:

Revolutionary Products (Original or Market-first Products)

Home Environment Appliances

Shark Navigator Lift-Away Upright Vacuum

Shark Rocket Ultra-Light Corded Stick Vacuum

Shark Original Steam Mop

Kitchen Appliances

Joyoung Soymilk Maker

Joyoung Multifunctional Steamer

Joyoung Noodles Maker

Joyoung Stir-Fryer

Ninja Foodi (the pressure cooker that crisps and air fries)

Ninja Mega Kitchen System

Ninja Coffee Bar

Evolutionary Products (Market-Disruptive Products)

Shark DuoClean with ZeroM Self-Cleaning Brushroll Upright Vacuum

Shark ION Robot 750 Vacuum with Wi-Fi Connectivity and Voice Control

Shark Genius Steam Pocket Mop System

Joyoung Soak-Free and Wash-Free Soymilk Maker

Joyoung High-Performance Multifunctional Blender

Joyoung Horizontal Juicer

Joyoung Cold-Water Pressure Cooker

Ninja Cooking System

Ninja Smart Screen Kitchen System with Fresh Vac Technology

Nutri Ninja Auto IQ

Ninja Hot and Cold Brewed System

Selective Transformational Home Environment Appliances

Vacuums—No.1 in the United States

Our Shark brand ranked first with 36.4% market share in the vacuum market in the United States in retail sales value in 2018, according to the Frost & Sullivan Report. We introduced our first No-Loss-of-Suction upright vacuum into the US market in 2008. Since then, we have continuously rolled out both revolutionary and evolutionary products to continuously optimize the product line and address consumer pain points. After introducing high-performance No-Loss-of-Suction upright vacuums in 2008, we introduced Rocket Ultra Light corded stick vacuums in 2013, ION Flex high-performance cordless stick vacuums in 2017 and Wandvac high-performance cordless handheld vacuums (隨手吸) in 2018. The portfolio addresses various consumer pain points and offers diversified shopping options: stick vacuums provide ultra light deep cleaning, upright vacuums are for whole-home deep cleaning, while handheld vacuums are for on-the-spot cleaning and high-performance cordless vacuums are for lightweight quick cleaning both on the floor and above floor. Our comprehensive product portfolio enables us to cater to localized and differentiated consumer needs to stand out among our competitors. For example, our Wandvac high-performance cordless handheld vacuums launched in 2018 received positive comments from consumers in China who are accustomed to on-the-spot cleaning. The high-performance cordless handheld vacuum is suitable for different cleaning scenarios, especially for small-area cleaning, enabled by its compact design and light weight.

Throughout our entire vacuum portfolio, we have provided both revolutionary and evolutionary improvements to performance and cleaning through improved powerhead technology and other first-to-market product differentiators. For example, we launched the revolutionary No-Loss-of-Suction technology in 2008. This was followed by Lift-Away technology in 2010, which changed the way consumers clean above-floor areas with their upright vacuums by enabling them to lift away the canister for easy cleaning of stairs, furniture and other areas above the floor. We introduced the revolutionary Powered Lift-Away technology into the market in 2014. Powered Lift-Away provided all benefits of Lift-Away and in addition allowed the consumers to deep clean hard-to-reach areas above the floor, under furniture and on surfaces such as furniture surfaces, while still delivering power to keep the brush roll spinning. In 2016, we introduced DuoClean technology to our vacuums. Vacuums with a DuoClean powerhead have two distinct brush rolls to take on carpets and floors with ease: One bristle brush to deep clean carpets and an additional soft brush roll to pull in larger particles and directly engage floors to remove stuck on dust leaving behind a polished look. In 2018, we launched ZeroM which is a self-cleaning brush roll technology that eliminates hair wrap. It solves one of the consumers' biggest pain points of hair wrapping around the vacuum brushroll.

Robotic Vacuums—No.2 in the United States

We have capitalized our expertise and marketing strength in the vacuum market and have invested in considerable research efforts to launch a series of robotic vacuums to become a highly competitive player in the robotic vacuum market. We launched the intelligent Shark ION robotic vacuum in 2017, quickly securing the second-largest market share in the United States of 19.0% in retail sales value in 2018, according to the Frost & Sullivan Report. We have continued to build out a global team focusing on robotic technology which includes in-house resources as well as third-party consultants and experts.

Since the launch of our first robotic vacuum, we have rolled out evolutionary products equipped with new technologies to optimize the product line. For example, we improved cleaning

performance and increased dust cup capacity based on the 2017 Shark ION product. We also developed a Shark ION robotic vacuum app through which consumers can utilize Wi-Fi-connectivity to send cleaning and scheduling instructions from smartphones or, with voice control, using Amazon Alexa or Google Home. Through the Shark ION robotic vacuum app, consumer information and data of the robotic vacuums on batteries, motors, sensors, camera, cleaning, and functionalities are collected. Such data are uploaded to BlackBox Cloud every night for proactive monitoring and predictive maintenance, which further facilitate our product optimization.

Steam Mops—No.2 in the United States

Our Shark brand ranked second with 28.5% market share in the steam mop cleaner market in the United States in retail sales value in 2018, according to the Frost & Sullivan Report. We launched our first steam mop in the United States market in 2006. Our Original Steam Mop introduced the concept of cleaning hard floors with steam to the United States consumers, which enabled powerful cleaning and sanitization without the use of chemicals. Since the launch, we have continued to innovate. In 2010, we introduced the Steam Pocket Pad, and the double-sided all-purpose pads enabled consumers to double their cleaning surface area and seamlessly switch to a clean pad without having to disrupt their cleaning routine. Consumer feedback suggesting the desire for a more automated approach led to the development and introduction of Intelligent Steam Control, which provides three steam settings for dusting, mopping, or scrubbing. The rest of the steam mop products were built out around the Steam Pocket Pad and Intelligent Steam Control, eventually also incorporating above-floor Lift-Away steam technology.

Selective Transformational Kitchen Appliances

Food Preparation Appliances

Soymilk makers—No.1 in China

In 1994, we invented our first Joyoung automatic home-made soymilk maker which was revolutionary and first in the market. The Joyoung brand has had a leading position in the soymilk maker market in China in retail sales value during the Track Record Period. In 2018, the market share of Joyoung soymilk makers is approximately 80.6% in retail sales value, according to the Frost & Sullivan Report.

We continuously introduced evolutionary improvements to performance of our soymilk makers through improved blending, heating, wash-free and other technologies. For example, by promoting blending technology through combining our original filter grid and tri-serrated blade propeller with a high-speed motor, our soymilk makers achieve filter-free function. With our 3D Heating technology, our soymilk makers can achieve a 360-degree efficient heating effect and heat can be spread more evenly to avoid over-cooking. Our wash-free technology enables our soymilk makers to achieve 360-degree automatic self-cleaning through high-pressure spray washing, high-temperature steam washing and high-speed stirring washing. Facilitated by cutting-edge technologies, our Joyoung soymilk maker has gone through various evolutionary upgrades, from the original series, to the soak-free makers released in 2009, to the filter-free makers released in 2014, and to the heating, noiseless and wash-free fully automated intelligent soymilk makers released in 2017.

The continuous improvement on technologies are accompanied by diversified and appealing product designs that capture the latest aesthetic trends, which enable us to maintain our popularity and

attract more consumers. Some of our soymilk makers came with ceramic finish and sleek touchscreen and in various colors to cater to consumers' diversified home decoration needs. We were awarded various honors including iF Design Award and Red Star Award for the appealing designs of our soymilk makers. See "—Awards and Recognitions."

Blenders, food processors and juicers—No.1 in all three products in China, No.1 in Blenders in the United States

Our Joyoung brand ranked first with 36.6%, 36.8% and 37.0% market share in the high-performance multifunctional blender market, the food processor market and juicer market, respectively, in China in retail sales value; our Ninja brand ranked first with 30.2% market share in the blender market, in the United States in retail sales value in 2018, according to the Frost & Sullivan Report. Our blenders, food processors and juicers are versatile in functionality and cater to different consumer needs. We continuously introduce evolutionary products into the blender, food processor and juicer product line, leveraging our advanced blending, heating, nutrient extraction and other technologies. Our advantages in global research and development platform as well as a centralized and synergistic supply chain greatly benefited our blender, food processor and juicer product lines, as both Joyoung and Ninja have abundant resources for these product categories and we have integrated such research and development and supplying resources to enhance efficiency in new product development and to minimize time to market.

Ninja has been a trusted motorized kitchen brand for over a decade. In 2009, we launched the Ninja Master Prep which provided consumers with the ability to turn ice into snow for at-home frozen drinks combined with precision chopping. In 2010, we launched the Ninja Kitchen System which combined professional blending capabilities with food processing capabilities by utilizing one blender base with multiple attachments. A year later, we added single cups to our kitchen systems which added single-serve blending to the capabilities of our Ninja Kitchen Systems. Since then, we have continued to evolve our blending and food processing lineup by adding additional attachments to our Kitchen Systems. For example, we introduced Auto-IQ technology in 2014 which enables intelligent control to break down fruits and vegetables for nutrient extraction, and FreshVac technology in 2018 which removes oxygen from either a single-serve cup or full-size pitcher to maintain the color, flavor and texture of blended fruits and vegetables for a longer time. In addition to the diversified functionalities enabled by the evolutionary technologies, our Ninja blenders are popular among the consumers for their chic appearances and harmonious accessory designs. We were awarded various honors including Red Dot Award for the appealing designs of our Ninja blenders. See "—Awards and Recognitions."

For the Joyoung brand, we are a highly competitive player in the blender market, food processor market and juicer market in China. We build such success on our consumer-centric efforts on product planning and product development, as we focus on consumer pain points and we continuously introduce evolutionary products equipped with cutting-edge technologies to address consumers' concerns. For example, to cater to consumers' preference for hot food in China, we capitalized our expertise in heating technology on soymilk makers to equip our blenders with heating function. We also introduced the wash-free technology from soymilk makers to our blenders. We successfully launched a brand-new series of high-performance multifunctional blenders with heating and wash-free functions in China in 2016, and continued to develop customized product functionalities based on evolutionary technologies including our proprietary Extra Merge technology which best preserves the flavor and nutrients of ingredients by ensuring that cell walls are broken down at the optimum 97 Degrees Celsius, and Vacuum Seal technology which keeps juice fresh for up to 12 hours.

We opened up the market for high-performance multifunctional blenders with this new series of products and quickly achieved US$196.9 million in sales revenue in 2018. Our Joyoung high-performance multifunctional blenders are also with evolutionary appearances, with ceramic finish and sleek touchscreen. We were awarded various honors including iF Design Award and Red Dot Award for the appealing designs of our high-performance multifunctional blenders. See "—Awards and Recognitions."

Cooking Appliances

Foodi—No.2 in multifunctional cookers in the United States

Our Ninja brand ranked second with 14.4% market share in the multifunctional cooker market in the United States in retail sales value in 2018, according to the Frost & Sullivan Report. Launched in 2018, Foodi, the pressure cooker that crisps and air fries, is the result of the collaboration of our global research development centers in China, the United States and the United Kingdom. We utilized our understanding of different markets, and accumulated technological know-how and applications expertise to successfully commercialize this revolutionary product series of Foodi under the Ninja brand. Foodi is able to combine pressure cooking and air frying into one multifunctional cooker with our TenderCrisp technology. This innovative product is a pressure cooker that crisps the food, allowing consumers to get the speed and tenderness provided by pressure cooking along with the crispness offered by air frying all in one pot. Foodi quickly became a sell-out blockbuster product in the US and Canadian markets, adding a new category to our cooking appliances portfolio, because it achieves a "tender and crisp" finish that traditional cooking appliances cannot accomplish. When developing Foodi, we continuously optimized our product and function design by interacting with over 4,500 consumers to gain insight through focus groups, observational trials, in-home trials and 28 prototypes builds before commercial production to successfully develop this revolutionary product that meets consumer needs.

Since the successful launch of the Foodi pressure cooker, we have been working on expanding Foodi into a product series by introducing other evolutionary products addressing a wide range of consumer needs.

Cookers—No.3 in rice cookers and pressure cookers in China

Our Joyoung brand ranked third with 12.5% market share in the rice cooker market in China in 2018, and ranked third with 14.2% market share in the pressure cooker market in China, according to the Frost & Sullivan Report. We provide various types of cookers including multifunctional steamer, pressure cookers, rice cookers, and slow cookers. These cookers have various functionalities to cater to differentiated consumption needs and consumption levels.

Our revolutionary multifunctional steamer is a first-to-market differentiator as its functions go above and beyond a traditional cooker. We applied an advanced Continuous High-Temperature Steam-Powered Heating technology to our multifunctional steamer, so that continuous, stable and controllable high-temperature steam can be circulated in the ingredients and our multifunctional steamer is thus able to deliver cooking results with better texture and no excess water. Our multifunctional steamer is equipped with accessories for steaming rice, fish, pumpkin and sweet potato, which provide versatile cooking options for consumers. We held a product launch for our multifunctional steamer in London in May 2019 which received positive comments from mainstream media in Europe. We plan to expand

the multifunctional steamer into a product series based on its successful launch. With its appearing looking, the multifunctional steamer obtained iF Design Award and Red Dot Award.

Additionally, we provide cookers equipped with different levels of pressure control and temperature control technologies. We have developed pressure cookers equipped with a cold-water pressure-release system which can safely release pressure within two to four minutes after cooking, as compared to the 20 to 40 minutes release time of more conventional alternatives. For our rice cookers, we focused on temperature control technology and our intelligent rice cookers can adjust temperature at different stages of cooking to let rice fully absorb water. Our slow cookers are designed to simmer at a lower temperature to provide versatile cooking options. With all these various functionalities, our cookers can satisfy consumers' diversified needs over a wide price range.

Coffee and Tea Makers—No. 6 in coffee makers in the United States

Our Ninja brand ranked sixth with approximately 4.0% market share in the coffee maker market in the United States in retail sales value in 2018, according to the Frost & Sullivan Report. Our coffee and tea makers deliver coffeeshop-quality beverages and styles in the convenience of consumers' homes. We introduced the original Ninja Coffee Bar in 2015 that enabled coffee lovers to make a variety of coffee sizes from a full carafe to a single cup and styles from hot to iced to specialty brew for lattes, cappuccinos and more using our Thermal Flavor Extraction brewing technology. In 2016, we introduced the Ninja Coffee Bar System that added even more drinks styles and a built-in integrated milk frother for coffeeshop specialty drinks. Our most recent innovation of the Ninja Hot and Cold Brew System is one of our most precise coffee brewing systems in terms of adjustable temperature according to different drink types and temperature control for enhanced drink quality.

Enabled by our Advanced Thermal Flavor Extraction technology, our coffee and tea maker not only delivers the same variety of coffee sizes and styles as a regular coffee bar but also unlocks the ability to create perfect teas from hot to iced to specialty tea drinks using any type of tea varieties. Capturing the latest trend of cold brew drinks, our coffee and tea maker is the first in the market that allows consumers to make cold brew coffee or tea at home and combines the cold brew function with traditional hot drink function in one maker. It can deliver a cup of cold brew coffee or tea in 10 to 15 minutes.

Global Platform and Research and Development Cycle

As of June 30, 2019, our global research and development teams consisted of 913 employees. The global research and development centers running around the clock are located in five cities (Hangzhou, Shenzhen, Suzhou, Boston and London) in China, the United States and the United Kingdom. Our research and development teams comprise highly qualified professionals with a broad range of skill sets such as industrial designers, electrical engineers, mechanical engineers, software engineers, firmware engineers and testing engineers.

Our research and development process comprises product planning phase and product development phase.

In the product planning phase, we focus on NTD based on our profound industry expertise and consumer insights, especially those technologies that may be applied to products across categories. We formulate predictive market trends watchlists and product roadmaps for the next one to five years based on our NTD results. In addition, we continuously monitor consumer preferences to adjust and update our NTD process.

In the product development phase, we focus on NPD to develop products that are expected to be launched within six months to three years. For each product in plan, we form an independent multi-disciplinary NPD team with in-house designers supported by external consultants as needed. The NPD team, equipped with relevant technical background, innovative design concepts and strong resource backing, aims to take approximately two to three months to prepare relevant technologies and to produce a product blueprint through in-house research and development as well as licensing of third-party intellectual property, if necessary. Our NPD results undergo high-standard engineering validation testing, design validation testing, production validation testing and analyzing prototype feedback. We take approximately one to three months to build prototypes for various product trials to obtain feedback before commercial production. Through development and after product launch, we continuously upgrade our products and refine our designs based on consumer feedback. We collect feedback regarding consumer experience through online reviews, in-home user testing, in-home observational testing and social media channels, where a large number of consumers consult with us after-sale. We also collect comments from consumers through online platforms of our e-commerce partners, as well as from retail staff throughout our offline distribution network. The feedback from consumers provides valuable guidance on our product planning and development.

To meet consumer demand and to promote consumer experience, our research and development team members devote significant time and resources to develop and upgrade our products. We incurred US$33.5 million, US$55.8 million, US$118.9 million and US$60.0 million in research and development expenditure in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

OMNI-CHANNEL SALES NETWORK

As a leader in the global small household appliance market, we have established differentiated channel strategies and a robust omni-channel sales and distribution network that are tailored to the respective local markets. We generally hold a prominent position in the channels where consumers choose to shop.

The following table sets forth the breakdown of our revenue by brand for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Joyoung	1,103.0	100.0	1,086.8	69.5	1,201.4	44.8	582.5	50.5	564.0	45.6
Shark	—	—	327.0	20.9	1,092.4	40.7	436.7	37.8	449.6	36.4
Ninja	—	—	149.6	9.6	388.1	14.5	134.7	11.7	222.2	18.0
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Our New Retail in China

Leveraging our established omni-channel sales and distribution network covering both online and offline sales and distribution resources, we have adopted a leading and progressive business model in China, the new retail business model. New retail is an emerging consumer-centric retail business model that integrate online and offline sales and distribution resources to enhance consumer experience. For example, consumer data and sales data from online and offline stores are rapidly collected and uploaded to our IT system, and by analyzing the data we are able to increase the efficiency of inventory management, supply chain management, product selection and logistics.

Through new retail, we enhance the connections among consumers, merchandises and stores which are the three core elements of this model. Consumers participate in the development of products through information and feedback which have become an integral part of the consumption process.

One key strength of the consumer-centric new retail business model is that we can collect and utilize more real-time consumer data and sales data. We integrate the consumer data and sales data gathered online and offline including the consumer purchase record, categories consumers browse online, responses from consumers to digital marketing and the frequency of their visits to physical stores. By collecting such comprehensive and dynamic consumer data and sales data, we gain more knowledge of consumer needs and preferences so that we are able to develop consumer-data-inspired products and to provide customized delivery services through our stores within our seamless omni-channel distribution network. We believe that we pioneered the small household appliance industry to operate such consumer-centric new retail business models.

As of June 30, 2019, we accumulated five years of experience operating our new retail business model, and continuously grow our new retail network. We have approximately 600 offline branded stores connected to our new retail information system and we are able to access their real-time consumer data and sales data. The effectiveness of our new retail business model was further enhanced in 2018 as we connected to Alibaba's new retail system to facilitate our new retail cooperation with Tmall. Such new retail cooperation enables us to enhance consumer experience and satisfaction because once a consumer places an order on our Joyoung Tmall online store, the order information will be pushed to our offline stores connected to Alibaba's new retail system. Through our own new retail information system, the offline store near the delivery address with available stock of the ordered products will then ship the purchased product to the consumer, sometimes within hours of purchase. As of the Latest Practicable Date, we had over 434 offline branded stores connected to Alibaba's new retail system to facilitate our new retail cooperation with Tmall.

Based on our operational experience and optimization of our new retail system, we believe that we pioneered the new retail business model with comprehensive consumer profile and practical experience, and we are able to apply our new retail cooperation model to other e-commerce platforms through online direct sales and distribution channels. To accelerate the penetration of Shark brand and Ninja brand into the Chinese market, SharkNinja leveraged Joyoung's nationwide new retail network by connecting to the new retail information system.

Online Sales Channels

We are one of the pioneers in the small household appliance industry to adopt an online sales model, and approximately 50% of Joyoung segment's revenue in 2018 was generated from our online sales channels.

We have an established system for online direct sales and distribution. We directly operate our online flagship stores on Tmall for the Joyoung brand, the Shark brand and the Ninja brand, and our "Joyoung Mall" through the WeChat platform. Such directly operated online stores showcase our products and enrich the consumer experience, performing not only as a sales channel but also as a user engagement and promotion channel. We also distribute our products through all major e-commerce platforms, such as Tmall, JD.com and Suning.com. We build relationships with distributors who purchase products from us and sell through their online stores on major e-commerce platforms. By fully covering all major e-commerce platforms in our online distribution network, we believe we can

expand consumer reach by taking advantage of the established consumer base and brand recognition of the platforms. For the salient contractual terms of the distribution arrangements during the Track Record Period, see "—Our Customers—Arrangements with Distributors in China and Certain Other Countries and Regions." We also constantly explore new e-commerce models, such as developing a "micro partners" program through social e-commerce channels to promote the sales of our products. The average daily traffic in the month preceding the Latest Practicable Date through three of the e-commerce platforms that we have presence on, namely, Taobao, JD.com and Suning.com, reached 1.1 million in aggregate, with over 15.1 million subscribers in aggregate on these three platforms as of the Latest Practicable Date.

Offline Distribution Network

We have been cultivating the regional markets for years, accumulating abundant valuable experience and local resources, and maintaining long-term in-depth cooperation with key distributors and retailers. This has helped us establish a wide network of distributors and sales points nation-wide. We choose for each geographical region a limited number of key distributors to distribute to the retailers in the respective regions. Our retailers are generally department stores, specialized stores or supermarkets/hypermarkets with strong track records and reputations, such as Suning and Gome. We also cooperated with reputable distributors to open branded stores in selected high consumer traffic areas to promote brand awareness and consumer engagement. The branded stores are generally operated in shopping malls and we designate them to be Joyoung Home Stores (九陽之家), flagship stores, experience stores or dedicated stores depending on their functions, locations and sizes to cater to various shopping scenarios. As of the Latest Practicable Date, we had approximately 40,000 sales points for Joyoung brand throughout China, among which there are approximately 700 Joyoung branded stores. We also had 201 offline sales points for Shark brand which are primarily located in mid- to high-end shopping malls, and we plan to open more Shark offline sales points for Shark brand which to increase the penetration of Shark brand in China.

Due to increasing consumption in recent years, particularly in small cities and rural areas in China, we continue to add new distributors and retailers, whilst expanding our offline sales network. Through these offline stores, we are able to employ experience-based marketing strategies to allow consumers to try our products and obtain first-hand experience of ways our innovative products can change their lives. For the salient contractual terms of the distribution arrangements during the Track Record Period, see "—Our Customers—Arrangements with Distributors in China and Certain Other Countries and Regions."

Distribution Channel Management

We select our distributors carefully. Our criteria for selection of potential distributors include, but are not limited to, their scale of operation, financial resources, market reputation, credit worthiness, management capabilities, compatibility with our brand positioning, location of retail stores and points of sale, pricing, target customers, market influence and competitiveness in the local market.

We manage the performance of our distributors by issuing strict policies, pricing guidelines, demanding sales reports from them and, providing them with information in relation to our products. To monitor the performance of our distributors, our internal management policy includes requiring our sales representatives to carry out random distributors-site-visits, and monitoring the sales performance, pricing and quality of the marketing activities of our distributors. All distributors are required to strictly

follow our pricing policy with the aim to create uniform prices for our products. We work with our distributors to set up promotional or sales events by using differentiated promotional special products or products with differentiated attachments or accessories. If a promotional price is to be adopted, such price shall be approved by us in advance.

To mitigate potential cannibalization among the distributors, (i) we typically do not allow distributors to return products to us; (ii) products we assign for distribution online and offline are differentiated to some extent; (iii) we assign differentiated products for daily sales and promotional activities; (iv) we utilize our proprietary technology system to monitor the sales activities of our distributors; (v) we require distributors to periodically provide us with sales reports so that we can monitor their sales activities in a timely manner; and (vi) for offline distributors, we grant specific geographical regions to distributors so that we can monitor the degree of competition in each distribution region through various information system and random distributors-site-visits. See "—Our Customers—Arrangements with Distributors in China and Certain Other Countries and Regions." To manage inventory risk and/or detect any possible stuffing in the channels, we pay close attention to the inventory level of our distributors. Our distributors are generally required to maintain sufficient inventory levels to meet the demands of consumers. While we set minimum purchase requirements under a standard form of agreement with distributors in China, we require our distributors to provide a sales report on a monthly basis so that we can monitor their sales and inventory levels. We also regularly visit our distributors and the physical sales locations that they cover to check the inventory levels and to further mitigate the risk of inventory accumulation.

Our Extensive Sales Channels in the United States, Canada, the United Kingdom and Japan

In the United States, Canada, the United Kingdom and Japan, we primarily sell our products directly to retailers or to consumers through our websites, instead of engaging distributors. In the United States, Canada and the United Kingdom, we have a high penetration rate in both online and offline retail channels and have established long-standing relationships with key retailers. We launched our business in Japan in 2018 and are continuously focusing on increasing our penetration into that market. We aim to ensure that our products are available in as many places where consumers shop as possible, thereby creating accessibility to our innovative products.

We have formed our DTC and DTR sales models. For DTC, we sell products direct to consumers through our SharkNinja website or television shopping platforms, which enable us to obtain first-hand knowledge of consumer behaviors. For DTR, we have established long-standing relationships with key retailers and we expand consumer reach by taking advantage of the established consumer base and brand recognition of the top retailers.

Omni-channel Sales Network

In the United States, Canada, the United Kingdom and Japanese markets, we have a high penetration rate in both online and offline retail channels.

We are actively developing online sales strategies. We operate our SharkNinja website as a one-stop shopping, marketing and consumer engagement platform. We have also established in-depth cooperation with major e-commerce platforms such as Amazon, Walmart.com, Target.com, and Costco.com. We believe that the online distribution of our products through these leading e-commerce platforms enables us to expand consumer reach by taking advantage of the established consumer base and brand recognition of the platforms.

For offline channels, we have established long-term cooperation with the top retailers in the United States, Canada, including Wal-Mart, Target, Bed Bath & Beyond, Costco, Kohl's, Sam's Club, Best Buy, Lowe's and Home Depot, and in the United Kingdom including Argos, Pricemart and Currys. In Japan, we have established relationships with Yamada Denki and Bic Camera and are working on increasing our penetration in those retail outlets. We believe that we can expand consumer reach by taking advantage of the established consumer base and brand recognition of the top retailers.

We also utilize localized sales channels catering to certain regional consumption habits. For example, in the United States and the United Kingdom we cooperated with QVC, a television-based shopping platform, to sell our products through television shopping which is popular among consumers in the United States.

For the salient contractual terms of the retail arrangements during the Track Record Period, see "—Our Customers—Arrangements with Retailers in the United States, Canada, the United Kingdom, Japan, Germany and France."

Established Relationship with Key Retailers

In the US, Canadian, the UK and Japanese markets, we have established long-standing, mutually beneficial relationships with key retailers. Most of the retailers sell our products on their websites in addition to their physical stores, which expand consumer reach of our products. Meanwhile, retailers such as Amazon that primarily sell online are becoming a larger portion of our business.

We gain credibility with our key retailers through our proven track record of being able to launch transformational innovative products, generate demands and take market share in a product category while also contribute to the growth of the category itself. Our significant advertising and marketing investment creates strong consumer demand and drives consumers to purchase from the retailers. We contribute to the performance of our retailers especially during the peak holiday seasons, which further solidify the confidence our retailers have in our brands and our products. As a result, we have been able to generate wide distribution and retail penetration for our new product launches very quickly, as our key retailers are very supportive during the introduction and promotion of our new products, which allows us to rapidly generate significant sales volume for our new product launches. This has, in turn, enabled us to gain additional shelf space and higher profile marketing and promotional activities with the retailers.

Retail Channel Management

We strategically select our online and offline retailers. We factor in retailers' scale of operation, financial resources, market reputation, credit worthiness, management capabilities, compatibility with our brand positioning, location of retail stores and points of sale, pricing, target customers, market influence and competitiveness in local markets.

We aim to sell to a broad spectrum of channels while minimizing market conflict by (i) assigning differentiated products for daily sales and promotional activities and (ii) monitoring retail partner operation and timely resolving problematic activities.

Our low concentration of retailers is driven by our strong marketing investment and broad product placement. We aim to balance our retailer mix and avoid outsized concentration of any

particular retailer. See "Risk Factors—Risks Relating to Our Business and Industry—We rely on a small number of major customers that accounted for a significant portion of our revenue for our US operations."

Other Countries/Regions

We also sell to other international markets, including Germany, France, Australia, New Zealand, Israel, South Korea and various countries in Latin America.

We operate in Germany and France through DTR by cooperating with local retailers. In other international markets, we generally partner with distributors to sell our products within those respective markets to generate sales and brand awareness for our products, without having to make a large investment in setting up our own operation. The international distribution partners distribute to retailers as well as direct sales through selected e-commerce platforms and printed publications of general merchandise only within certain designated territories. With abundant local resources and valuable marketing experience, these international distribution partners facilitate our penetration into their local markets.

For the salient contractual terms of the retail and distribution arrangements during the Track Record Period, see "—Our Customers."

Relationship with our Distributors and Retailers

Our relationship with our distributors or retailers is not that of a principal and an agent. We have no management control over their daily operation, but can still monitor the sales performance and provide marketing guidance to our distributors or retailers. We phase out distributors and retailers that are no longer able to help us with competing effectively in the changing market. In general, our relationships with our major distributors and retailers have remained stable.

During the Track Record Period and up to the Latest Practicable Date, there is no material non-compliance with the terms and conditions of our distributorship or retail agreements that were not rectified in a timely manner by the relevant distributors or retailers and nothing has caused us to believe that the increase of our revenue is due to the accumulation of inventories by the distributors or retailers. See "Risk Factors—Risks Relating to Our Business and Industry—We rely substantially on our distributors and retailers."

For Joyoung segment, we typically do not allow our distributors in China to return products to us to the extent that is compliant with relevant laws and regulations. For SharkNinja segment, when consumers request the return and replacement of products, or refunds, within certain time periods, in compliance with regulatory requirements and retailers' policies on the return and replacement of products or refunds, SharkNinja's retailers generally pass on the associated cost of product returns and replacements or refunds to SharkNinja. Retailers will generally return products to us if the product cannot be resold, either because the packaging has been opened or for reasons including design or quality deficiencies. From September 29, 2017 to December 31, 2017, the value of products returned in terms of revenue amounted to US$22.7 million. In 2018 and the six months ended June 30, 2019, the value of products returned in terms of revenue amounted to US$98.6 million and US$50.5 million, respectively. We believe that the value of products returned is in line with the nature of the arrangements between our retailers and us. For details of our product return arrangements with distributors and retailers, please see "—After-Sales Services—Product Return and Warranty."

The following table sets forth the changes in the number of our distributors and retailers for Joyoung segment for the periods indicated:

	2016	2017	2018	For the six months ended June 30, 2019
As of the beginning of the period	475	471	469	464
Addition of new distributors and retailers	60	94	90	60
Number of distributors and retailers terminated during the period	64	96	95	37
Net increase in distributors and retailers	(4)	(2)	(5)	23
As of the end of the period	471	469	464	487

The following table sets forth the changes in the number of our distributors and retailers for SharkNinja segment for the periods indicated:

	For the period from September 29, 2017 to December 31, 2017	2018	For the six months ended June 30, 2019
As of the beginning of the period	130	120	153
Addition of new distributors and retailers	7	41	9
Number of distributors and retailers terminated during the period	17	8	21
Net increase in distributors and retailers	(10)	33	(12)
As of the end of the period	120	153	141

BRAND POSITIONING

To meet the diversified needs of consumers around the globe, we offered a wide range of products under three brands with differentiated positioning during the Track Record Period. Our Shark and Ninja brands target mid- to high-end markets in the United States and other countries/regions, with Shark focusing on home environment appliances and Ninja focusing on kitchen appliances. Our Joyoung brand targets mid- to high-end markets in China, focusing on kitchen appliances. Set forth below are our brand logos and values.

Joyoung 九阳 — Enjoy quality and healthy lifestyle (悦享健康)

Shark NINJA — High-quality and superior performance at a great value

MARKETING AND CONSUMER ENGAGEMENT

To expand our consumer base and promote our brand image, we utilize various marketing channels tailored to each of the different local markets we operate in to ensure our continuous and comprehensive consumer exposure. We conduct marketing campaigns through television advertising, digital advertising, traditional media, online social media and various offline activities. We employ a year-round 360-degree marketing strategy based on consumer insights by combining various media forms in a synergistic way to maximize the penetration of targeted consumer population. For example, when engaging brand ambassadors, we analyzed consumer preferences to identify the celebrities that were popular among our target audience and compatible with our marketing campaign. Our advertising expenses amounted to US$20.1 million, US$97.6 million, US$207.5 million and US$71.5 million in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

We highly value consumer reviews and use them to identify consumer needs and pain points, and thus we are enabled to create new products and continuously improve our existing products. We establish continuous direct communication with consumers and collect consumer reviews to improve the overall consumer experience, increase consumer activity and loyalty, and at the same time, drive product upgrade and innovation, thereby achieving a virtuous cycle and propelling our future growth. The consumer reviews also help our expansion and brand promotion, as existing consumer reviews serve as testimonies to our product quality and enable new consumers to make educated buying decisions. Consumers are welcome to discuss or comment on our products through social media channels, platforms on our e-commerce stores and offline activities. We have a diverse yet close-knit consumer community that interact with us and each other regarding their experience with our products, and our consumer base is loyal and willing to make repeat purchases through our product upgrades and cross-selling.

By accumulating insights into the differing consumer preferences in various markets and by analyzing them in the context of local as well as global trends, we are then able to leverage our global resources to create a market strategy that combines the keys to our previous success in existing markets with our localized insights in order to replicate our success in new markets.

China

In China, we take advantage of our high level of penetration in the online market to stimulate consumers' frequency of communication and engagement through different online platforms: as of the Latest Practicable Date, we had more than six million subscribers on our WeChat platform and more than 15.1 million subscribers on three of our e-commerce platforms that we have presence on, namely Taobao, JD.com and Suning.com. Often our products come with a unique product code that consumers can scan or input to register the product on our official WeChat or website platforms. Once registered, consumers can access comprehensive after-sales services including consultation, news-sharing and warranty and send feedback to us directly. For offline consumer engagement, we interact with our consumers actively through store-based experiential marketing and over 2,300 offline after-sales service centers, and the information gathered offline will be integrated into our online information system. Through both online and offline coverage, we cultivate and support the growth of our consumer community as we serve our consumers by all means and further enhance their consumer experience, as well as stickiness and loyalty to our brands.

We also leverage other new media, social platforms and offline interactive activities to expand the reach of our consumer interaction. We enhance exposure to consumers through online marketing including live streaming and social media promotion which are increasingly popular among consumers in China, and through offline marketing including face-to-face interactive activities and product launch events. We also actively integrate our online and offline marketing resources to maximize our marketing impact.

We are one of the pioneers in the small household appliance industry to utilize live streaming for marketing. During major shopping festivals including Double Eleven, we engage KOLs and influencers to try our products through live streaming shows which successfully and significantly boost our sales volume. For example, we organized 34 live streaming shows via Joyoung Tmall platform in November 2018 before Double Eleven, and there were over 200,000 audiences attending 34 live streaming shows while sales revenue through the 34 live streaming shows reached over RMB7.0 million. Such effective marketing resource of Joyoung is shared with Shark brand. For example, we

placed Shark products into live streaming shows via the Joyoung Tmall account to increase consumer awareness of the Shark brand in China. We also organize routine live streaming activities through selective online stores of Joyoung on Taobao to increase continuous and comprehensive exposure to consumers. To integrate our online and offline sales resources and knowledge, we sometimes engage experienced offline sales personnel to introduce our products through our routine live streaming shows. Our strong marketing capability through live streaming is recognized by Taobao as we were awarded "Best Business Operator through Taobao Live Streaming" in 2018. See "—Awards and Recognitions—Awards to Our Brands."

For marketing through social media, we cooperated with KOLs and influencers on major social media platforms such as Weibo and TikTok to promote various forms of our product contents tailored to different target consumer groups. We send our products to KOLs and influencers and they share their experience of our products with their large network of subscribers. We also maintain various official social media accounts to actively engage with consumers, directly addressing their questions and concerns whilst promoting our products. As of Latest Practicable Date, we had more than six million subscribers of our official Joyoung WeChat platform and over 1.7 million subscribers of our series of Joyoung Weibo accounts.

We organize various offline activities to increase face-to-face consumer engagement and enhance consumer experience, and we actively integrate our online and offline marketing resources to maximize our marketing impact. For example, we organize a monthly "Fan's Day (粉絲節)" activity in our offline stores, and the theme of the activity is selected based on feedback collected from consumers through our online Tmall store platform. We also established a "No. 9 Kitchen (玖號廚房)" that combines website, WeChat platform and offline marketing activities to strengthen our consumer engagement efforts. We share recipes with consumers on the "No. 9 Kitchen" WeChat platform while we hold offline gastronomic gatherings such as "No. 9 Private Kitchen Club (玖號廚房私廚會)" to offer consumers food tasting and kitchen product tryout opportunities. We have organized such offline gatherings in large cities including Beijing, Shanghai and Hangzhou to showcase products and enhance consumer engagement.

We leverage our multiform product launch campaign in the small household appliance industry. In March of each year, we invite representatives from mainstream media, KOLs/influencers and consumers to attend our routine offline product launch events to showcase new products of that year. We also occasionally hold product launch campaigns for certain featured products through online channels. For example, we cooperate with Tmall to launch our products such as multifunctional steamer online via occasional marketing events organized by Tmall to increase consumer awareness about our new products.

The United States, Canada, Europe, Japan and Other Countries/Regions

In the United States and the United Kingdom, significant marketing and advertising investment is a critical component of our go-to market strategy. A 52-week-a-year "always on" strategy consists of long-form and short-form television advertising as well as digital advertising. These investments help to educate consumers on Shark and Ninja's product innovation and create strong awareness and consumer demand for Shark and Ninja's products.

In the United States, Canada, Europe, Japan and Other Counties/Regions, our consumer insights team is responsible for gathering and disseminating consumer feedback to support our various

strategies, from product design to commercialization. This team focuses on both consumer insights and market intelligence and plays a critical role throughout the entire product development cycle. Our consumer insights team is charged with representing the voice of the consumer at each stage of product development as well as after the product goes to market.

Our consumer insights process uses an agile approach to continually pulse consumers to ensure that our products deliver as close to a five-star rating through online consumer reviews as possible and achieve a high rate of sales before commercial production. This starts at the concept phase and leads into production using robust versions of the product including several rounds of prototype and engineering builds, which are made by our OEM's on production lines but prior to commercial production. Consumer feedback is also used to refine the commercialization strategy including advertising, packaging and product collateral to ensure that our efforts are resonating with consumers. Additionally, the team iteratively runs competitive testing with shelf tests and mock retail.com pages to understand how our product fits in a retail line-up or how our Amazon pages resonate with consumers. During 2018, over 75,000 consumers participated in this iterative research approach.

Our market intelligence process measures the rate of sales of a product, identifies new messaging opportunities or other product areas for post-launch refinement and delivers strategic foresight in service of future product spaces and technology advancements one to three years out. We have implemented IT solutions that have allowed us to scale our research efforts and examine in-market feedback from more than two million consumer contacts from our call center and over one million online product reviews. This provides insight into how our products compete in the market and informs the development of our next generation of products. The team also utilizes market share data, retailer point-of-sale data and other sources to help identify consumer behaviors and market trends for future product development opportunities.

Due to our proven track record of introducing innovative and category-leading products which have contributed to the growth of the categories that we sell in and the sales performance of the retailers that we sell to, our retailers have strong confidence in us and are also generally very supportive during the introduction and promotion of our new products. We have been actively developing online sales strategies and invest heavily in digital advertising on the retailers' websites that we sell on, as well as on various social media platforms and through paid internet search results.

Understanding the consumers' evolving habits in researching products and shopping, we keep close to the new marketing trends to ensure that our consumers are provided with an engaging shopping experience with relevant information. We use social media to share entertaining information about our most innovative products and then retarget the same consumers with purchase-driving offers. Each new product is supported by public relations and online media coverage and products are sent to influencers, so they can post about their positive experience to their large network of subscribers. We also use a weekly content series on Facebook and Instagram to keep top of mind with consumers sharing contests, inspiration and building our consumer community. Several online communities have been spontaneously created by our Shark and Ninja superusers and are approaching 100,000 members in addition to an active following on mainstream social media platforms.

We also host offline marketing events including market launch or product launch to increase our brand awareness and our face-to-face interaction with consumers. For example, SharkNinja held a market launch event in Japan to enhance brand awareness when we entered into the Japan market in 2018. Joyoung held a product launch for its multifunctional steamer in London in May 2019 which received positive comments from mainstream media in Europe.

AFTER-SALES SERVICES

We seek to provide a high level of after-sales service to consumers, which is commensurate with the high level of consumer satisfaction that we seek to deliver with our products. We pursue consumer satisfaction by actively establishing effective and direct after-sales communication with consumers to obtain first-hand knowledge of their feedback while providing legally required product return and warranty.

After-Sales Communication with Consumers

By holding ourselves accountable to a consistent and high quality of service, we work to ensure that no matter the channel through which consumers reach us, we have in-house consumer service experts or trained associates ready to support any and all questions or concerns about either our products or our services. This consistency is accomplished by constant training and calibration efforts.

We provide consumers with an omni-channel approach to contact us, whether it be more standard channels such as telephone, chat and email, or more recently added social channels such as WeChat, Facebook, Twitter, and Instagram, fostering and supporting organic conversations. Often times, we assign a unique product code for each of our products to ensure the identifiability and recognizability of our products. Consumers are able to register on our online platforms to access comprehensive after-sales services, including consultation and instructions for product functions, complaints and suggestions, and applying for product repairs and membership award programs, by scanning or inputting the product code. In China, we also operate over 2,300 offline after-sales service centers which provide onsite maintenance and repairs. We interact with consumers actively through our after-sales service centers and we promote our new products through our after-sales services channels, so that some consumers may elect to, instead of repairing, purchase a new product, thus increasing our product sale. Our first-hand knowledge of consumer information and feedback through our offline after-sales service centers will be integrated into our online information system.

We analyze and categorize our conversations with consumers, and use them to drive improvements to both our products and services. This is facilitated via regular meetings where sample contacts are reviewed with cross-functional teams, including our engineering, marketing and quality control departments, keeping them abreast of the consumer feedback and market trend. This feedback is collected and aggregated to allow us to uncover new trends to either exploit new messaging and feature opportunities or reduce the impact of any issues reported by consumers.

Product Return and Warranty

Consumers can return unused products, replace defective products or ask for repair of defective products within certain time periods, in compliance with regulatory requirements or our or retailers' policies on return, replacement and repair of products. Consumers may also have their product replaced for specific types of defects or quality issues as required pursuant to our warranty policies or relevant laws and regulations. We typically offer basic warranties of one to five years on our products.

For Joyoung segment, we typically do not allow our distributors in China to return products to us to the extent that is compliant with relevant laws and regulations. When consumers request the return, replacement and repair of products within certain time periods, in compliance with regulatory requirements or our policies on returns, replacements and the repair of products, we generally bear the associated costs if they fall within the scope of regulatory requirements, while our distributors

generally bear the associated costs outside the scope of regulatory requirements. See "—Our Customers."

For SharkNinja segment, when consumers ask for return and replacement of products or refunds within certain time periods, in compliance with regulatory requirements and retailers' policies on returns and replacements of products, or refunds, SharkNinja's retailers generally pass on the associated cost of product returns and replacements, or refunds, to SharkNinja. It is typical for retailers in the United States, Canada and the United Kingdom to allow consumers to return products within certain time periods regardless of whether the product has design or quality deficiencies or not. Retailers will generally return those products to us if the product cannot be resold, either because the packaging has been opened or for reasons including design or quality deficiencies. Also, in certain cases, we may elect to buy back products from retailers if a product is being discontinued or replaced by a different product. During the Track Record Period, for the sales return as mentioned above, we normally recognize (a) the refund liabilities for sales returns (with corresponding adjustments to revenue), and (b) the related right-of-return assets (with corresponding adjustments to cost of sales) for the rights to recover the products expected to be returned. See "—Our Customers." From September 29, 2017 to December 31, 2017, the value of products returned in terms of revenue amounted to US$22.7 million. In 2018 and the six months ended June 30, 2019, the value of products returned in terms of revenue amounted to US$98.6 million and US$50.5 million, respectively. We believe that the value of products returned is in line with the nature of the arrangements between our retailers and us.

PROCUREMENT AND PRODUCTION

We produce certain core or pioneer products as well as prototypes of our Joyoung brand within our in-house production facilities in Hangzhou and Jinan. Such in-house production facilities works closely with our research and development team to efficiently perfect the products by analyzing real-time production and testing data. We believe that preserving such in-house production capability also makes us more resilient to any potential supply-side fluctuation. See "—Procurement and Production—In-house Production Facilities, Production Capacity and Utilization Rate."

Meanwhile, to maximize production efficiency, we also cooperate with reliable OEM suppliers, all of which are located in China. The OEM suppliers are selected carefully, taking into account their price, quality, production capacity, financial conditions, delivery scheme, business scale and reputation. Some of the OEM suppliers have up to 20 years of long-term relationships with us. Most of the OEM suppliers work exclusively for us, which enhances protection of our intellectual property rights and control over supply chain stability. Our alliance with the long-term OEM suppliers is one of the key factors of our success, as it facilitates our design and development, engineering solutions, supply stability and quality control. For the salient contractual terms with our OEM suppliers during the Track Record Period, see "—Our Suppliers."

To ensure the quality of our products, we also carefully select component and raw material suppliers with reliable quality and reasonable prices for certain materials such as circuit boards, electric wires, hardware and packaging materials. We generally designate certain key component and raw material suppliers for OEM suppliers to cooperate with. In some cases in China, we purchase qualified materials directly from component and raw material suppliers and have the materials delivered to in-house production facilities or OEM suppliers for assembling. During the Track Record Period, we did not experience material fluctuations in the costs of our components, raw materials and finished

products. See "Financial Information—Factors Affecting Our Results of Operations and Financial Condition—Prices and stable supplies of raw materials, components and finished products." See "Risk Factors—Risks Relating to Our Business and Industry—We rely principally on OEM suppliers and suppliers of components and raw materials for in-house production."

Our centralized supply chain is facilitated by our global operation. We believe that there are strong synergies between the Joyoung and SharkNinja supply chains. As a market leader in China, Joyoung utilizes its local negotiation power advantage to facilitate the centralized supply chain evolution by integrating both SharkNinja's and Joyoung's abundant resources in procurement and production in China. We have the strong capability to flexibly mobilize supplying resources in China to be shared through our global operation, and our significant procurement scale on a consolidated basis. Our combined experience in supply chain management will enable us to continue to offer high-quality products at competitive prices, which in turn will boost efficiency and profitability.

Procurement and Production Planning

Enabled by our technological competence and information infrastructure, we established an internal resource planning platform to connect with our suppliers, distributors and retailers and create direct access of production data and sales data. Such data includes the utilization rate of production facilities, inventory levels and inventory turnover of us and our distributors or retailers, historical sales records of our distributors or retailers and market trends. See "—Technology Infrastructure and Data Protection." Based on the data gathered through the internal resource planning platform, our procurement department works closely with the sales and marketing department to conduct a rolling production forecast, which enables us to efficiently create an accurate procurement and production plan and maintain suitable inventory level. Our reliable procurement and production plan is further supported by our strong capability of mobilizing the highly flexible and accommodating supply chain system in China. We always have alternatives to supply needed products so as to ensure that our production schedule is strictly followed. As a result of accurate forecasts, we, along with our distributors and retailers, have quick inventory turnover cycles and rarely face the risk of accumulating obsolescence or excess inventory which could affect the volume of future orders from our distributors and retailers and thus have a material adverse impact on our business. See "Risk Factors—Risks Relating to Our Business and Industry—Our operating results could be materially harmed if we are unable to accurately forecast market demand for our products or manage our inventory."

Logistics and Inventory

Inventory Management

Our inventory includes finished products and a small number of components and raw materials.

To monitor our finished product inventory levels and minimize obsolete inventory, we have a strict inventory control policy whilst closely monitoring sales records of our distributors and retailers. Through various data feeds, we are able to access information from most of our major distributors and retailers, including relevant product description, sales volume, unit selling price, total monetary amount of our products sold by the distributors and retailers to consumers, volume of inventory on hand and inventory turnover. With such information, we are able to: (i) monitor the sales performance of the distributors and retailers; (ii) understand the latest market demand on our products; (iii) prepare sales forecasts and production schedules; and (iv) maintain an optimal inventory level which can satisfy the market demand in a timely manner but without increasing the risk of inventory obsolescence. Our sales

and marketing department and finance department will compare the information collected with our internal data on a periodic basis. See "Risk Factors—Risks Relating to Our Business and Industry—Our operating results could be materially harmed if we are unable to accurately forecast market demand for our products or manage our inventory."

In China, we stock certain components and raw materials to be used in in-house production or to be shipped to our OEM suppliers. Through accurate procurement and production planning, close coordination with our customers and suppliers, as well as making frequent purchases of components and raw materials from our suppliers, we are able to carry fewer components and raw materials and in-process inventories, which lowers our inventory risk. In the United States, we do not stock components or raw materials and would direct our OEM suppliers to purchase such components or materials directly. See "—Procurement and Production Planning."

During the Track Record Period, our inventory turnover days was 35, 58, 67 and 80 in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

Warehousing

In China, we own and operate two warehouses in Hangzhou and Jinan, as well as lease and operate three warehouses in Hangzhou, Dezhou and Foshan. The warehouses are strategically located to ensure fast deliveries across China. Our Jinan and Dezhou warehouses generally process shipments in Northeast China; Hangzhou warehouse generally processes shipments in East and Central China; and Foshan warehouse generally processes shipments in South China.

In the United States, we operate one warehouse in Chino, California and utilize third-party logistics providers for warehousing and distribution needs at other locations in California and Maryland. Our direct-to-consumer shipments are made either from a warehouse in Chino, California or in Curtis Bay, Maryland which enables us to deliver products to the entire continental United States within a competitive timeframe.

We also utilize warehouses operated by third-party logistics providers in Canada, the United Kingdom and Japan to service those markets.

Logistics

We engage third-party logistics service providers for delivery services. We choose such service providers based on their qualifications, service coverage, track record, financial strength and price.

Typically, for Joyoung, finished products are transported by the logistics service providers from our OEM suppliers to our warehouses, then to the distributors and retailers after quality inspections and packaging. We may also use an expedited process for scenarios with high-efficiency requirements such as major shopping events like Double Eleven, where finished products that have passed quality inspections by our onsite representatives are transported by the logistics service providers from our OEM suppliers directly to our distributors and retailers, in order to cope with the increasing sales volume and to ensure the timely delivery of goods to consumers.

Typically, for SharkNinja, finished products are exported outside of China whilst the OEM suppliers are responsible for delivering products to the port of export. These products are then shipped to SharkNinja's warehouses using a combination of logistical transport service providers including

international container shipping companies and inland drayage providers. Retailers typically arrange for their own transportation from SharkNinja's warehouses to their locations. In certain cases, retailers of SharkNinja will arrange for the transportation of products from the port of export in China directly to their locations.

While third-party logistics service providers generally have their own operation insurance, we further control the residual risk by maintaining insurance coverages for our products while in transportation. See "—Insurance."

During the Track Record Period, we did not experience any major disruption to logistics capabilities or any major incidents of loss or theft during delivery.

Quality Control and Product Safety

We are committed to maintaining a high level of quality in our products and we therefore implement quality control measures suiting different scenarios with professional team members. As of June 30, 2019, our total quality control staff consisted of 728 employees. Our quality control team is responsible for formulating our quality control policy which sets out guidelines in accordance with the respective applicable requirements under quality management standards, including ISO9001, CCC, CE, IEC, C-TICK, S-MARK, KTL and QB/T 4404-2012, covering various key steps from procurement, production, storage to sales and distribution of our products. Our quality control team is also responsible for ensuring that we are in compliance with all applicable regulations, standards and internal policies at all times.

Our quality control process generally comprises: (i) research and development quality control; (ii) quality control of component and raw material suppliers and OEM suppliers; and (iii) market feedback quality control.

For research and development quality control, we focus on engineering validation testing, design validation testing, production validation testing as well as analyzing prototype feedback. On average, each of our products will go through 30 to 40 different tests to ensure its long-term in-home reliability. We value our rigorous testing procedures and we have four in-house testing facilities located globally in Suzhou, Shenzhen, Boston and Auburn.

For quality control of component and raw material suppliers and OEM suppliers, we have on-site representatives to communicate with suppliers about quality standards for each component and raw material and finished product and to conduct thorough examinations of product samples and each of their components to make sure they satisfy all the technical requirements set forth in our product design. The framework for quality control is specified in the process quality plan which defines all aspects of inspection and measurement control from incoming quality of sourced components to in-line inspections through to pre-shipment inspection. We maintain a proactive relationship of taking action on information collected by our suppliers. Continual improvement activities are based on the quality control data, which enhances our ability to not only effectively manage the quality control processes but also to conduct data analysis to optimize the process. Further, indemnification for products liability claims caused by suppliers is generally included in the contract between us and the suppliers. See "—Our Suppliers."

For market feedback quality control, we aim to establish effective direct communication with consumers through online reviews, in-home user testing, in-home observational testing, and social

media channels where a huge number of consumers conduct after-sale consultations with us. We also collect comments from consumers through our e-commerce platforms, as well as from offline after-sales service centers. See "—After-Sales Services." Through the close network with our distributors or retailers and the intimate teamwork among our departments, information regarding consumer experience is shared with our research and development team to improve our research and development. Using this method, we continuously enhance the competitiveness of our products by actively responding to the needs of consumers and reflecting their feedback on our products.

Our Joyoung brand was honored "National Exemplar Enterprise for Product and Service Quality" in 2016 and "China's Most Influential Small Household Appliance Brand" since 2009 for 10 consecutive years by the China Association for Quality Inspection. Our Shark brand was honored "Highest in Customer Satisfaction" in 2014, 2015, 2017 and 2018 by J.D. Power. These awards and recognitions are further testaments to our strict requirements for quality control. See "—Awards and Recognitions."

As a result of our stringent quality control procedures, we did not experience any material sales returns or any material product liability or other legal claims due to quality control issues and we did not recall any products during the Track Record Period. See "Risk Factors—Risks Relating to Our Business and Industry—We may be subject to product liability claims for compensation from time to time. Any failure in our quality control systems could harm our business and lead to such claims if our products are found to be defective."

In-house Production Facilities, Production Capacity and Utilization Rate

We produce certain core or pioneer products as well as prototypes within our in-house production facilities which are located in Jinan and Hangzhou. The designated capacity for our production facilities was 2,472,334 units, 1,991,030 units, 1,150,944 units and 597,290 units in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The actual production volume for our production facilities was 2,402,319 units, 1,934,172 units, 1,134,031 units and 565,884 units, and the corresponding utilization rate was 97.2%, 97.1%, 98.5% and 94.7% in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The designated capacity and actual production volume for our in-house production facilities decreased in 2018, mainly because we focused our in-house production effort more on advanced soymilk makers, which require more complex production procedures and are more resource- and capacity-consuming. We believe such shifting in focus and capacity is in line with our overall production strategy and we expect the production output to stabilize over time.

COMPREHENSIVE INFORMATION MANAGEMENT SYSTEM

We employ advanced information management systems to unlock synergies within our highly complementary global business operation. We leverage our global resources to collect information from various markets on consumer feedback, preferences and behaviors and keep our business processes, from research and development, procurement and production to sales and marketing, fully connected and responsive to such information. Reaching upstream and downstream of our value chain, the efficient and comprehensive information management system enables us to identify consumer demand and market trends timely and precisely. Our information management system pools user information and data we obtained through our omni-channel approach on user engagement, seamlessly collecting from online and offline sales and marketing channels and after-sales service platforms. Such information forms the basis of, and guides, our various business activities.

Our internal business units as well as other external parties, including suppliers and distributors that play an important role in our business flow, are interconnected by contributing or sharing consumer insights and operational data on one advanced information platform. For example, our research and development team works closely with our after-sales team and consumer engagement team to scale research efforts based on in-market feedback, while our procurement and production team works closely with our sales and marketing team as well as our suppliers and distributors to conduct rolling production forecasts based on market trend and consumer behaviors. Our value chain information system brings us unique insight into how our products perform in market and inform our next generation of products.

AWARDS AND RECOGNITIONS

We have received various awards and recognitions since our establishment in recognition of our brands and products. The following tables set forth selective of the awards and recognitions we have received during the Track Record Period and up to the Latest Practicable Date:

Awards to Our Brands

Year	Award /Accreditation	Awarding Organization	Awarded Brands
2012-2019	Well-known Trademark (馳名商標)	Trademark Office of the State Administration for Industry and Commerce in the PRC (國家工商行政管理總局商標局)	Joyoung
2019	National Technology Innovation Demonstration Enterprise（國家技術創新示範企業）	Ministry of Industry and Information Technology in the PRC (中國工業和信息化部)	Joyoung
2019	Best Business Operator through Taobao Live Streaming in 2018 (2018年度淘寶直播最佳商家)	Taobao	Joyoung
2019	China's Most Influential Small Household Appliance Brand (中國最具影響力的小家電品牌) (since 2009 for 11 consecutive years)	China Home Electric Appliance Research Institute (中國家用電器研究院)	Joyoung
2018	Silver Jinmai Award in Household Appliances and Digital Products Industry (金麥獎產品類家電數碼銀獎)	Tmall	Joyoung
2018	The Most Popular Domestic Brand in Household Appliance Industry in 2018 (2018年天貓生活電器最受消費者喜愛國貨品牌獎)	Tmall	Joyoung
2018	Highest in Customer Satisfaction	J.D. Power	Shark
2017	Highest in Customer Satisfaction	J.D. Power	Shark
2016	National Exemplar Enterprise for Product and Service Quality (全國產品和服務質量誠信示範企業)	China Association for Quality Inspection (中國質量檢驗協會)	Joyoung

Product Design Awards

Year	Award	Products	Market
2019	Red Dot Award	Joyoung Soymilk Maker DJ13E-Q15	China
2019	iF Design Award	Joyoung High-Performance Blender YJ08	China
2019	Red Dot Award	Joyoung Multifunctional Steamer S5	China
2019	iF Design Award	Joyoung Multifunctional Steamer S5	China
2019	iF Design Award	Joyoung Wash-free High-Performance Blender Y88	China
2019	Red Dot Award	Ninja Hot and Cold Brewed System	United States
2019	Red Dot Award	Ninja Smart Screen Blender Duo with FreshVac Technology	United States
2019	Red Dot Award	Shark Cordless Handheld Vacuum ION W1	United States
2019	iF Design Award	Shark Cordless Handheld Vacuum ION W1	United States
2018	Home Appliances Watch Award by Kaden Watch and GetNavi	Shark Evoflex Vacuum	Japan
2018	Trusted Reviews – Blender of the Year	Ninja Blender CT610UK	United Kingdom
2017	Red Star Award (China) (中國設計紅星獎)	Joyoung Water Purifier 7501	China
2017	Red Dot Award	Joyoung High-Performance Blender Y20	China
2016	Red Dot Award	Joyoung Stir-Fryer J5	China

OUR SUPPLIERS

Our dedicated in-house teams work closely with our suppliers to strengthen and enhance our relationship with them, implement our quality control standards and improve our bargaining power in terms of pricing and overall risk management. Our suppliers primarily comprise OEM suppliers and suppliers of components and raw materials for in-house production. Purchases from our five largest suppliers in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$288.0 million, US$366.4 million, US$682.9 million and US$287.4 million, respectively, which represented 38.3%, 35.7%, 40.5% and 37.7%, respectively, of our total purchase cost for the same periods. In the same periods, purchases from our largest supplier accounted for 14.3%, 12.3%, 11.3% and 9.9% of our total purchases, respectively. See "Risk Factors—Risks Relating to Our Business and Industry—We rely principally on OEM suppliers and suppliers of components and raw materials for in-house production."

The tables below set out the details of our top five suppliers during the Track Record Period:

For the year ended December 31, 2016:

Name of suppliers	Purchase amount	Length of relationship	Credit period granted to the Group
	(US$'000)		
Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司)	107,334	10 years	60 days
Hangzhou Yongyao Technology Co., Limited (杭州永耀科技有限公司)	68,198	8 years	60 days
Hangzhou Hongfeng Electronic Fittings Co., Limited (杭州弘豐電子配件有限公司)	50,400	10+ years	60 days
Zhejiang Langke Intelligent Electric Co., Limited (浙江朗科智能電氣有限公司)	33,643	10+ years	60 days
Zhejiang City Kexin Electronic Co., Limited (中山市科欣電子有限公司)	28,473	10+ years	60 days
Total	288,048		

For the year ended December 31, 2017:

Name of suppliers	Purchase amount	Length of relationship	Credit period granted to the Group
	(US$'000)		
Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司)	126,451	10 years	60 days
Kingclean Electric Co., Limited	75,057	10+ years	60 days
Kayue Electric Company Limited	57,569	10+ years	30 days
Hangzhou Yongyao Technology Co., Limited (杭州永耀科技有限公司)	55,782	8 years	60 days
Hangzhou Hongfeng Electronic Fittings Co., Limited (杭州弘豐電子配件有限公司)	51,585	10+ years	60 days
Total	366,444		

For the year ended December 31, 2018:

Name of suppliers	Purchase amount	Length of relationship	Credit period granted to the Group
	(US$'000)		
Ningbo Fujia Industrial Co., Limited	190,979	10+ years	60 days
Kayue Electric Company Limited	130,349	10+ years	30 days
Ecovacs Robotics Co., Limited	120,893	10+ years	60 days
Kingclean Electric Co., Limited	120,470	10+ years	60 days
Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司)	120,226	10 years	60 days
Total	682,917		

For the six months ended June 30, 2019:

Name of suppliers	Purchase amount	Length of relationship	Credit period granted to the Group
	(US$'000)		
Ningbo Fujia Industrial Co., Limited	75,719	10+ years	60 days
Kingclean Electric Co., Limited	59,995	10+ years	60 days
Kayue Electric Company Limited	55,511	10+ years	30 days
Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司)	51,124	10 years	60 days
Ecovacs Robotics Co., Limited	45,041	10+ years	60 days
Total	287,390		

We have held a 35% equity interest in Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司) since 2011, which was one of our five largest suppliers in 2016, 2017, 2018 and the six months ended June 30, 2019. We have held a 30% equity interest in Hangzhou Hongfeng Electronic Fittings Co., Limited (杭州弘豐電子配件有限公司) since 2016, which was one of our five largest suppliers in 2016 and 2017. We have held a 25% equity interest in Hangzhou Yongyao Technology Co., Limited (杭州永耀科技有限公司) since 2016, which was one of our five largest suppliers in 2016 and 2017. Purchases from Hangzhou XinDuoDa Electronic Technology Co., Limited, Hangzhou Hongfeng Electronic Fittings Co., Limited and Hangzhou Yongyao Technology Co., Limited in 2016 and 2017 in aggregate amounted to US$225.9 million and US$233.8 million, respectively, which represented 30.0% and 22.8%, respectively, of our total purchase cost for the same years. Purchases from Hangzhou XinDuoDa Electronic Technology Co., Limited in 2018 and the six months ended June 30, 2019 amounted to US$120.2 million and US$51.1 million, respectively, which represented 7.1% and 6.7% of our total purchase cost in the same periods. Except for Hangzhou XinDuoDa Electronic Technology Co., Limited, Hangzhou Hongfeng Electronic Fittings Co., Limited and Hangzhou Yongyao Technology Co., Limited, all of our other five largest suppliers in 2016, 2017, 2018 and the six months ended June 30, 2019 were Independent Third Parties. None of our Directors, their respective associates or any Shareholder who, to our knowledge, owns more than 5% of the issued share capital of our Company has an interest in any of the above-mentioned suppliers.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we held an equity interest in five, seven, seven and seven of our suppliers in China, respectively. Such equity interests typically ranged from 25% to 35%. Such arrangement stemmed from our strategic need to secure high-quality supply chain resources. In particular, in selectively making such arrangements with high-quality and reputable suppliers with strong research and development capability, we sought to (i) increase the "stickiness" of our suppliers and encourage long-term and mutually beneficial relationships; and (ii) increase information transparency through our supply chain. We do not participate in the daily operations of these suppliers. Purchases from suppliers in which we held an equity interest in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$239.0 million, US$272.7 million, US$318.3 million and US$144.7 million, respectively.

We deal with all our suppliers at arm's length, regardless of their affiliation with us. The transaction terms with suppliers in which we hold an equity interest are comparable to those with Independent Third Party suppliers.

The salient terms of the agreements with our OEM suppliers and component and raw material suppliers are set forth as below:

i.	Duration	The term of our agreement with our suppliers generally ranges from one to three years and may be renewed upon mutual agreement. In rare circumstances, the term of our agreement with certain suppliers is perpetual. The agreements with certain of our suppliers may be terminated upon mutual consent, while certain other agreements may be unilaterally terminated by either party with one to six months' prior written notice. We are generally entitled to terminate the agreements in the event of suppliers' material breaches.
ii.	Principal rights and obligations of parties involved	The suppliers are liable for breaches of responsibilities including timely delivery and quality assurance of products. The suppliers are responsible for indemnifying us for damages as a result of such breaches. We are responsible for timely payments.
iii.	Warranty period	The suppliers provide warranty generally for a period of one to five years.
iv.	Payment and credit terms	We are normally granted by our suppliers a credit period from 30 to 60 days.

OUR CUSTOMERS

In general, our products are sold first to distributors and retailers who are considered our direct customers. Distributors generally resell these products to other distributors and retailers or, to a lesser extent, directly to consumers, while our retailers generally carry our products throughout their entire network of stores within a given geographical area and sell directly to consumers. Revenue from our five largest customers in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$305.7 million, US$330.8 million, US$703.8 million and US$325.3 million, respectively, which represented 27.7%, 21.2%, 26.2% and 26.3%, respectively, of our total revenue for the same periods. In the same periods, revenue from our largest customer accounted for 9.9%, 7.5%, 8.3% and 9.9% of our revenue, respectively.

The tables below set out the details of our top five customers during the Track Record Period.

For the year ended December 31, 2016:

Name of customers	Sales amount	Length of relationship	Credit period granted by the Group
	(US$'000)		
Taipu (Shanghai) E-commerce Co., Limited (泰璞（上海）電子商務股份有限公司)	109,582	9 years	30 days
Shenzhen Huaqiang Joyoung Network Technology Co., Limited (深圳華強九陽網絡技術有限公司)	68,165	5 years	30 days
Wuhu Fanchen Electronic Commerce Co., Limited (and Wuhu Chuangmei Network Technology Co., Limited) (蕪湖凡臣電子商務有限責任公司(及蕪湖創美網絡科技有限公司))	51,445	5 years	30 days
Guangzhou Founder Information System Co., Limited (廣州市方正信息系統有限公司)	38,928	5 years	30 days
China Aviation Industry Supply and Marketing North China Co., Limited (中國航空工業供銷華北有限公司)	37,594	9 years	30 days
Total	305,714		

For the year ended December 31, 2017:

Name of customers	Sales amount	Length of relationship	Credit period granted by the Group
	(US$'000)		
Taipu (Shanghai) E-commerce Co., Limited (泰璞（上海）電子商務股份有限公司)	117,401	9 years	30 days
Walmart Stores Inc	70,628	10+ years	60 days
Amazon.com Inc	60,802	10+ years	30 days
China Aviation Industry Supply and Marketing North China Co., Limited (中國航空工業供銷華北有限公司)	41,837	9 years	30 days
Target Corp.	40,159	10+ years	45 days
Total	330,827		

For the year ended December 31, 2018:

Name of customers	Sales amount	Length of relationship	Credit period granted by the Group
	(US$'000)		
Walmart Stores Inc	221,468	10+ years	60 days
Amazon.com Inc	169,445	10+ years	30 days
Target Corp.	131,144	10+ years	45 days
Bed Bath & Beyond Inc.	96,326	10+ years	60 days
Costco Wholesale Corp.	85,405	10+ years	60 days
Total	703,788		

For the six months ended June 30, 2019:

Name of customers	Sales amount	Length of relationship	Credit period granted by the Group
	(US$'000)		
Walmart Stores Inc	122,560	10+ years	60 days
Amazon.com Inc	77,271	10+ years	30 days
Costco Wholesale Corp.	48,033	10+ years	60 days
Target Corp.	42,343	10+ years	45 days
Sichuan Changhong IT Information Products Co., Limited (四川長虹佳華信息產品有限責任公司)	35,091	one year	30 days
Total	325,298		

We have held a 5% equity interest in Taipu (Shanghai) E-commerce Co., Limited (泰璞(上海)電子商務股份有限公司) since 2015, which was one of our five largest customers in 2016 and 2017. We have held a 35% equity interest in Shenzhen Huaqiang Joyoung Network Technology Co., Limited (深圳華強九陽網絡技術有限公司) since 2014, which was one of our five largest customers in 2016. Revenue from Taipu (Shanghai) E-commerce Co., Limited and Shenzhen Huaqiang Joyoung Network Technology Co., Limited in 2016 in aggregate amounted to US$177.7 million, which represented 16.1% of our total revenue in 2016. Revenue from Taipu (Shanghai) E-commerce Co., Limited in 2017 amounted to US$117.4 million, which represented 7.5% of our total revenue in 2017. Except for Taipu (Shanghai) E-commerce Co., Limited and Shenzhen Huaqiang Joyoung Network Technology Co., Limited, all of our other five largest customers in 2016, 2017, 2018 and the six months ended June 30, 2019 were Independent Third Parties. None of our Directors, their respective associates or any Shareholder who, to our knowledge, owns more than 5% of the issued share capital of our Company has an interest in any of the above-mentioned customers.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we held an equity interest in 14, 15, 14 and 13 of our customers, respectively. Such equity interests typically ranged from 25% to 35%. Such arrangements stemmed from our strategic need to secure high-quality distributorship resources. In particular, in selectively making such arrangements with resourceful and reputable distributors in key regions, we sought to (i) increase the "stickiness" of our distributors and encourage long-term and mutually beneficial relationships; and (ii) increase information transparency through our distribution network. We do not participate in the daily operations of these distributor customers. Sales to customers in which we held an equity interest in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$249.7 million, US$243.2 million, US$164.8 million and US$69.7 million, respectively.

In 2016, 2017, 2018 and the six months ended June 30, 2019, we had a small number of distributors that are controlled or owned by our former employees. To our knowledge, sales to customers that are controlled or owned by our former employees in 2016, 2017, 2018 and the six months ended June 30, 2019 amounted to US$0.4 million, US$5.9 million, US$9.8 million and US$5.8 million, respectively, all representing less than 1% of our total revenue in the respective periods.

We deal with all of our customers at arm's length. For instance, we negotiate and arrange pricing, credit terms and marketing and promotional activities based solely on commercial considerations, without taking into account their affiliation or other relationships with us. The

transaction terms with customers in which we hold an equity interest, and with customers that are controlled or owned by our former employees, are comparable to those with Independent Third Party customers.

Arrangements with Distributors in China and Certain Other Countries and Regions

For distributors in China and international distribution partners in countries including Australia, South Korea and Israel, the principal terms of the distribution agreements are set forth below:

i.	Duration	The term of our agreement with distributors is generally one year and may be renewed upon mutual agreement. In rare circumstances, we may enter into distribution agreements with international distribution partners for a term of up to five years and may be renewed upon mutual agreement. Generally, the agreements may be terminated upon mutual consent. We are generally entitled to terminate the agreements in the event of distributors' material breaches.
ii.	Geographic allocation	For offline distribution network, we manage cannibalization risk among distributors through the distribution agreements by specifying the relevant products to be distributed and the geographic regions for which our distributors are responsible. The agreements prohibit our distributors from selling the products outside the respective designated geographical regions without prior written consent from us.
iii.	Inventory	We require our distributors to keep sufficient inventory levels based on historical market demand to avoid stock shortage.
iv.	Sales and pricing policies	We typically do not specify pricing policies including the minimum sales price in our standard contract with distributors in China to provide flexibility. We may supplement or adjust our pricing policies with separate deal letters from time to time. We typically specify pricing policies in agreements with our international distribution partners to increase our control.
v.	Risk transfer	The risk of damage and obsolescence is generally transferred to distributors when our products are picked up by third-party logistics service providers. In certain circumstances when products are delivered using third-party logistics service providers that are hired by us, the risk of damage and obsolescence transfers to the distributors when the products are delivered to their designated locations.
vi.	Quality, buy-back and return	We typically do not allow our distributors in China to return products to us to the extent that is compliant with relevant laws and regulations. As consumers can return unused products, replace defective products or ask for repair of defective products within certain time periods, in compliance with regulatory requirements and our policies for return, replacement and repair of products, we generally bear the associated cost if they fall within the scope of regulatory requirements, while our distributors generally bear the associated cost outside the scope of regulatory requirements. For international distribution partners, we may elect to buy back products upon termination of the agreement.
vii.	Trademark license	We authorize our distributors to use our trademarks for marketing and distribution purpose only.

viii.	Minimum purchase requirements	We typically specify minimum purchase requirements under appendix of our standard contract with distributors in China. We typically specify minimum purchase requirements for our international distribution partners to increase our control over them.
ix.	Sales and inventory reports and estimates	Our distributors are generally required to provide periodic market information related to the products that they distribute, such as consumer demand forecasts, inventory levels, sales volumes, unit selling price and total monetary amount of our products sold by the distributors to consumers.
x.	Payment and credit terms	In China, distributors generally pay upon ordering. For certain distributors, we grant a payment credit period of 30 days. We generally require payment from international distributors within a credit period that typically ranges from 30 to 90 days. Our distributors generally have strong credit records and steady cash flow. We did not experience any material delays in payment by our distributors during the Track Record Period.

Arrangements with Retailers in the United States, Canada, the United Kingdom, Japan, Germany and France

For retailers that we cooperated with in markets including the United States, Canada, the United Kingdom, Japan, Germany and France, we typically adopt the standard terms and conditions of these retailers in our sales agreements or arrangements with them, which are supplemented by separate deal letters specifying detailed commercial terms. The salient terms and conditions of such agreements are set forth below:

i.	Duration	We typically adopt the standard terms and conditions of our retailers in our sales agreements or arrangements with them. Terms of such agreements typically range from one to five years and may be renewed upon mutual agreement. In certain circumstances, we might agree to transact with certain retailers on purchase order basis. The agreements may generally be terminated upon mutual consent. We are generally entitled to terminate the agreements in the event of retailers' material breaches.
ii.	Geographic allocation	We permit sale of our products on retailers' entire online and offline network.
iii.	Inventory	We generally do not enter into inventory arrangement with our retailers.
iv.	Sales and pricing policies	Our pricing policy generally consists of a minimum price. If retailers breach our pricing policy, we may terminate agreements or arrangements and cease to perform.
v.	Risk transfer	The risk of damage and obsolescence is generally transferred to retailers when our products are picked up by third-party logistics service providers. In certain circumstances when products are delivered using third-party logistics service providers that are hired by us, the risk of damage and obsolescence transfers to the retailers when the products are delivered to their designated locations.

vi.	Quality, buy-back and return	Retailers generally allow consumers to return products within a certain time period based on their retail policy, and retailers typically pass on the associated costs to us. Retailers will generally return those products to us if the product cannot be resold for reasons including design or quality deficiencies. In certain cases, we may elect to buy back products from retailers if a product is being discontinued or replaced by a different product.
vii.	Trademark license	We authorize our retailers to use our trademarks for marketing and sales purposes only.
viii.	Minimum purchase requirements	We do not set minimum purchase requirements for retailers.
ix.	Payment and credit terms	We generally require payment from retailers within a credit period that typically ranges from 30 to 90 days. Our retailers generally have strong credit records and steady cash flow. We did not experience any material delays in payment by our retailers during the Track Record Period.

Under such agreements with retailers, we are typically required to comply with the retailers' standards on the following matters.

- Seller conduct code, including primarily prohibition of misrepresentation, maintaining current information and active consumer respond, complying with social responsibility requirements relating to labor, employment, immigration, health, safety, trade and the environment;
- Standard recall and product safety policies applicable to our product categories; and
- Cooperation in matters including tax filing, audit, delivery and intellectual property rights protection.

SEASONALITY

Our revenue during the Track Record Period is subject to seasonal fluctuation, primarily due to the impact of major holidays and shopping events. We typically experience sales peaks in the fourth quarter with a higher concentration of holidays such as Christmas and New Year and shopping events such as Double Eleven and Black Friday. We believe that this pattern is likely to continue in the foreseeable future.

SUBCONTRACTING

We sometimes engage subcontractors to provide additional labor, specialty services or cost and operational efficiency. During the Track Record Period, we primarily engaged subcontractors for IT and logistics services, which were independent third parties.

We select subcontractors primarily based on their qualifications, service coverage, track record, financial condition and price. We carefully manage and monitor the performance of our subcontractors in terms of quality and delivery of their services.

We also require our subcontractors to comply with our internal guidelines and policies in relation to their services. In the event of any failure by our subcontractors to meet our internal guidelines and policies, we may cease to work with them or claim damages.

See "Risk Factors—Risks Relating to Our Business and Industry—Our success depends on our distribution and logistics networks."

COMPETITION

The markets we operate in are highly competitive. These markets are characterized by frequent product introductions and rapid technological advances. We generally compete with other household appliance companies. Principal competitive factors important to us include product features, relative price and performance, product quality and reliability, design innovation, brands, consumer experience, marketing and distribution capability, customer service and support and corporate reputation. Our main competitors include domestic and global household appliance industry leaders, such as Dyson, Philips, Midea and Supor.

We experience significant competition for highly skilled personnel, including management, engineers, designers and product managers. Our growth depends in part on our ability to retain our existing personnel and recruit highly skilled employees.

See "Industry Overview—Competitive Landscape."

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as quality control, financial reporting, information system, internal control, human resources and information system risk management.

Quality Control and Product Safety Internal Control

We are committed to maintaining the highest level of quality in our products and we therefore implement quality control measures throughout our operational flow. Our quality control team formulates our quality control policy and ensures our compliance with all applicable regulations, standards and internal policies at all times. Our quality control process generally comprises: (i) research and development quality control; (ii) quality control of component and raw material suppliers and OEM suppliers; and (iii) market feedback quality control. See "—Procurement and Production—Quality Control and Product Safety."

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies. Our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control and internal audit team works closely with our business units to: (i) perform risk assessments and give advice on risk management strategies; (ii) improve business process efficiency and monitor internal control effectiveness; and (iii) promote risk awareness throughout our Company.

In accordance with our procedures, our in-house legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have detailed internal procedures in place to ensure that our in-house quality and legal departments review our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our in-house administrative and legal departments are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

For IP-related issues, we have an in-house legal team and an IP team supported by devoted and specialized outside IP legal advisors, to assist us in registering, applying and reviewing the relevant patent and trademark rights of our IPs.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Human Resources Risk Management

We set out systematic internal rules and guidelines for our employees, including best commercial practice, work ethics and a prevention mechanism to avoid fraud, negligence and corruption. We provide employees with regular training and resources to keep them abreast of the guidelines contained in the employee handbook. We formulate the recruitment plan for the upcoming year based on current turnover rate and our future business plan, and we constantly improve our recruitment process with the aid of information technology. We also have a rigorous background check process for our incoming employees.

In addition, we provide regular and specialized trainings tailored to the needs of our employees in different departments. Through such training, we ensure that our employees' skill sets remain up-to-date.

We also have in place an Anti-Corruption Policy to safeguard against corruption within our Company. We have an internal reporting channel that is open and available for our employees to report any suspected corrupt acts. Our employees can also make anonymous reports to our internal anti-corruption department. We have a team that is responsible for investigating the reported incidents and taking appropriate measures.

Information System Risk Management

Sufficient maintenance, storage and protection of consumer data and our business data are critical to our success. We have implemented relevant internal procedures and controls to ensure that such data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of consumer or business data.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors if necessary. For composition of our audit committee, see "Directors and Senior Management—Board Committees—Audit Committee." For qualification of our audit committee members, see "Directors and Senior Management—Directors—Independent Non-executive Directors."

INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are fundamental to our business and we devote significant time and resources to their development and protection. We currently hold a broad collection of intellectual property rights relating to certain aspects of our products. Such rights include trademarks, copyrights, trade secrets, patents and other proprietary rights in China, the United States and a number of overseas jurisdictions.

It may be necessary in the future to seek or renew licenses relating to various aspects of our products, processes and services. While we have generally been able to obtain such licenses on commercially reasonable terms in the past, there is no guarantee that such licenses could be obtained in the future on reasonable terms or at all. See "Risk Factors—Risks Relating to Our Business and Industry—We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position."

Intellectual Property Protection

We rely on a combination of patent, trademark, copyright and other intellectual property protection laws in China, the United States and other jurisdictions, fair trade practice, as well as confidentiality procedures and contractual provisions to protect our intellectual property. In general, our employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, third parties may infringe our intellectual property rights. Unauthorized use of our intellectual property by third parties and the expenses that may incur in protecting our intellectual

property rights from such unauthorized use may adversely affect our business and results of operations. See "Risk Factors—Risks Relating to Our Business and Industry—We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position."

We did not have any material disputes or other pending material legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

See "Appendix IV—Statutory and General Information" for details of our material intellectual property rights.

Measures against Counterfeited Products

The occurrence of counterfeiting of our products, such as unauthorized imitation, replication of our design, infringement of trademarks or labeling by third parties may affect our reputation and profitability. We designate a dedicated team to actively monitor the market for any problematic activities and may submit complains to relevant governmental authorities or initiate legal actions to prevent counterfeiting and seek compensation.

We are not aware of any material counterfeiting and imitation of our products during the Track Record Period.

See "Risk Factors—Risks Relating to Our Business and Industry—Our reputation and profitability may be adversely affected if our products are counterfeited or imitated in the market."

TECHNOLOGY INFRASTRUCTURE AND DATA PROTECTION

Our technological competence and the stability of our information infrastructure are vital to our business operations. Our internal resource planning platform extends to connect with our suppliers and distributors to create direct access of production data and sales data. Such data feeds back to our product design to increase the commercialization potential of our products. We also use such data in our rolling production forecast algorithm to create an accurate procurement and production plan and maintain suitable inventory level.

We are committed to protecting consumer and business data. We have implemented relevant internal procedures and controls to ensure that such data is protected and that leakage and loss of such data is avoided.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We endeavor to minimize any adverse impact on the environment resulting from our business activities and create a healthy and safety environment for our employees and communities. With in-house production facilities in China, we are subject to certain environmental, health and safety requirements pursuant to the laws in China, such as the Environmental Protection Law of the PRC and Production Safety Law of the PRC. See "Regulatory Overview—Laws and Regulations on Environmental Protection" and "Regulatory Overview—Laws and Regulations on Production Safety."

In order to comply with the applicable environmental protection laws, we have implemented environmental protection policies, including but not limited to waste water discharge management

policy and waste management policy. We also require our suppliers to comply with the laws and regulations of the jurisdictions that they operate in, which include the laws and regulation governing environmental, health and safety matters.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health safety or environmental regulations.

EMPLOYEES

As of June 30, 2019, we had 4,157 full-time employees.

The following table sets forth the breakdown of our employees by business function as of June 30, 2019:

	Number of Employees	Percent
Research and Development	913	22.0%
Product and Procurement	844	20.3%
Manufacturing	107	2.6%
Quality Control	728	17.5%
Sales and Marketing	752	18.1%
Management and Administration	552	13.3%
Others	261	6.3%
Total	4,157	100.0%

The following table sets forth the breakdown of our employees by location as of June 30, 2019:

	Number of Employees	Percent
China	3,220	77.5%
The United States	776	18.7%
Other Countries/Regions	161	3.9%
Total	4,157	100.0%

We have training programs for all our employees, from entry-level employees to management on subjects such as corporate culture, research and development, strategies, policy and internal control, internal systems and business skills.

Some of our subsidiaries have labor unions that protect employees' rights, help fulfill the subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between the subsidiaries and union members. We did not experience any material labor dispute during Track Record Period.

The remuneration package for our employees generally includes salary and bonuses. Employees typically receive welfare benefits, including medical care, pension, occupational injury insurance and other miscellaneous benefits.

INSURANCE

We maintain insurance coverage over our daily operations. We maintain limited third-party insurance policies covering certain potential risks and liabilities including product liability, property

and construction liability. For product liability, SharkNinja maintains primary and excess commercial general liability insurance. As of the Latest Practicable Date, the primary insurance had a self-insured retention (SIR) which amounts to US$250,000. The SIR is the amount SharkNinja must pay toward the cost of handling a claim before the primary insurer is responsible for payment. Therefore, the SIR is the cap on SharkNinja's exposure in each matter subject to the limits of the applicable primary and excess insurance policies. Once an applicable primary insurance policy is exhausted, SharkNinja's excess insurance carriers take over. The excess insurance policies do not have an SIR. SharkNinja has excess insurance coverage up to US$65,000,000 depending on the policy year applicable to its pending product liability/personal injury claims. We are not aware of SharkNinja ever exhausting its excess insurance coverage, although certain cases might not be covered by our insurance. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees in China, as well as statutorily required insurance coverage for overseas employees. In addition, in line with general market practice, we do not maintain certain policies that are not available in the locations we operate or that are not generally required by laws. For example, we do not maintain any business interruption insurance in China, which is not mandatory under laws in China. We also do not maintain key-man life insurance or insurance policies covering damages to our IT infrastructure or IT systems.

We consider our current insurance coverage to be adequate. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and with industry practice.

See "Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance coverage which could expose us to significant costs and business disruption."

SOCIAL RESPONSIBILITY

We have been and will continue to be highly committed to sustainable corporate responsibility projects, mainly through charitable endeavors and environmental protection efforts.

Charitable Endeavors

In China, we are committed to contributing to various charitable causes, with a special focus on education and other charitable causes in which we can leverage our resources and expertise. For instance, in 2008, we contributed RMB20 million to establish an education foundation to financially aid underprivileged students, donate to schools and provide scholarships; and in 2010, leveraging our industry and product resources, we cooperated with the China Youth Development Foundation (中國青少年發展基金會) and contributed approximately RMB50 million establish a Joyoung Hope Kitchen (九陽希望廚房) Project to build and renovate kitchens and canteens that can meet national food hygiene requirements in schools in poverty-stricken regions; and we frequently organize onsite trips, especially for kids, to our headquarters in Hangzhou to conduct kitchen culture educational program and were honored for "Science Education Base for Youth in Hangzhou" in 2017.

In the United States we partner with and donate to a number of different charitable organizations. For example, a significant number of our employees in the United States participated in a volunteer day with Cradles to Crayons in each year during the Track Record Period. Cradles to Crayons is an organization that provides children from birth through age 12, living in homeless or low-income situations, with the essential items they need to thrive at home, at school and at play. In

addition, we partnered with the Make-a-Wish foundation in 2018 to fulfill the wish of a child by allowing him to customize the design of one of our vacuums and then producing a working version of it. In 2018, we provided monetary or other resources to more than nine charitable organizations in the United States.

Environmental Protection Efforts

We attempt to responsibly recycle materials from returned products that cannot be put back on the shelf. In the United States, we now primarily use either pulp or cardboard instead of styrofoam for packaging inserts for our products from Shark brand. The accessories and other included items are wrapped mostly with plastic that is recyclable. In the United Kingdom, we are supported by external consultants to assess environmental risks and opportunities, including areas such as carbon management, waste management and data management. We are evaluating similar consultants in the United States. In China, we team up with other manufactures and recycling service providers to explore innovative and sustainable method for household appliance recycling.

Overall, we believe our sense of social responsibility is embedded in our corporate culture.

PROPERTIES

Our headquarters office is located in Hong Kong.

We have owned and leased properties in China, the United States, the United Kingdom, Canada and Hong Kong, including six parcels of owned land, 205 owned properties and 27 leased properties. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or properties in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Properties in Mainland China

Owned Land

As of the Latest Practicable Date, we owned land use rights of six parcels of land in China with an aggregate site area of 453,181 sq.m., which were primarily used for operation and management. Among them, we had obtained the land use right certificates for six parcels of land with an aggregate site area of 453,181 sq.m., accounting for 100% of the aggregate site area of lands owned by us.

Owned Properties

As of the Latest Practicable Date, we owned 205 properties in China with a gross floor area of approximately 435,510.7 sq.m., which were primarily used for operation and management. Among such 205 properties that we owned, we have obtained the properties ownership certificates for 205 properties with a gross floor area of approximately 435,510.7 sq.m., representing 100% of the gross floor area of the properties that we owned. Our PRC legal advisors are of the view that we have the legal ownership of these 205 properties and thus have the right to occupy and use such properties in

accordance with applicable PRC laws and regulations and there is no restriction on the seizure, mortgage and other forms of rights in the ownership of such properties or existence of any third-party rights.

Leased Properties

As of the Latest Practicable Date, we leased 15 properties in China with a gross floor area of approximately 92,823.7 sq.m., which were primarily used for operation and management. Among such 15 properties that we leased, our landlords of nine properties have obtained the relevant property ownership certificates or other documentary evidence in respect of the right to dispose of such leased properties, with a gross floor area of approximately 40,401.8 sq.m., representing 43.5% of the gross floor area of the properties that we leased. Our PRC legal advisors are of the view that the landlords of these nine leased properties are the owners or persons who are authorized to lease or sublease the respective properties. The landlords have obtained the valid titles to the respective leased properties and the lease agreements are legally binding and effective.

Our landlords of the remaining six leased properties have not provided the relevant property ownership certificates or any documentary evidence in respect of the right to dispose of such leasehold properties, with a gross floor area of approximately 52,421.9 sq.m., representing 56.5% of the gross floor area of the properties that we leased. Since the above-mentioned leased properties are used as storage or office space, we believe we can easily find alternative properties at similar costs if we are not able to use such properties or have to relocate our businesses in case of any dispute on the lease agreements. Besides, we have not completed rental registration for such 15 leased properties. Our PRC legal advisors have advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC law, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. Our PRC legal advisors are of the view that our leased properties with defective titles and the lack of registration of the lease agreements will not materially and adversely impact our business operations.

Properties in Hong Kong

As of the Latest Practicable Date, we leased one property in Hong Kong with a site area of 165.4 sq.m., which was primarily used for office purpose.

Properties in the United States

As of the Latest Practicable Date, we leased seven properties in the United States with an aggregate site area of 92,336.8 sq.m., which were primarily used for office and warehousing purpose.

Properties in Other Jurisdictions

As of the Latest Practicable Date, we leased four properties in Canada and the United Kingdom with an aggregate site area of 5,150.6 sq.m., which were primarily used for office purpose.

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business,

financial condition or results of operations. We are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

From time to time, we have been, and may in the future be, involved in arbitration, litigation or regulatory proceedings relating to various aspects of our operations in the ordinary course of our business. In particular, we have been, and may continue to be, subject to various intellectual property claims relating to technologies or intellectual property used in our products. For example, on October 8, 2019, SharkNinja received a demand letter from iRobot Corporation ("iRobot"), in which iRobot alleges that two of SharkNinja's robotic vacuum models (the "Disputed Products") launched in September 2019 (and, accordingly, not comprising any part of our sales during the Track Record Period) infringe at least 11 of iRobot's US patents. iRobot demands that SharkNinja cease production, importation into the United States, and sale of the Disputed Products until the allegedly patented features are removed. In response to iRobot's demand letter, on October 11, 2019 SharkNinja filed a lawsuit against iRobot in a Delaware federal court, seeking a declaratory judgment that the Disputed Products do not infringe these 11 patents as alleged. On October 15, 2019, iRobot proceeded to file a lawsuit against SharkNinja in a Massachusetts federal court, alleging that the Disputed Products infringe six of the 11 patents identified in iRobot's demand letter and seeking, among other relief, injunctions and monetary damages. In addition, iRobot has filed a motion for a preliminary injunction. On November 26, 2019, the Massachusetts federal court denied iRobot's request for a preliminary injunction, finding that SharkNinja had demonstrated substantial questions as to infringement of the patents subject to the preliminary injunction motion. The Delaware federal court transferred SharkNinja's case against iRobot to the Massachusetts federal court, where it will likely be consolidated into iRobot's lawsuit already pending there. The next step in the case is for the Massachusetts federal court to set a case schedule. SharkNinja plans to defend itself and the Disputed Products vigorously. However, if a court or jury were to determine that the Disputed Products infringed one or more of iRobot's patents, then in terms of monetary damages, SharkNinja may be liable to pay compensatory damages commonly calculated as (1) a reasonable royalty applied to the Disputed Products sold in the United States, or (2) lost profits iRobot would have made but for the infringement, which iRobot bears the burden to prove based on, among other factors, sales performance of the Disputed Products. If SharkNinja is found to be a willful infringer, compensatory damages may be increased up to three times. Taking into account that (i) the alleged infringement claim was related to US patents and may affect the sales of Disputed Products only in the United States and (ii) the sales of the Disputed Products in the United States have comprised, and are expected to continue comprising, only a small percentage of the Group's revenue since their introduction to the market in September 2019, we do not believe that our exposure to monetary damages in this case, in light of the size of SharkNinja's and the Group's business, would be material.

The dispute is at an early stage and the parties have not yet commenced discovery; moreover, litigation is subject to a range of inherent uncertainties and it is not possible to make predictions as to the outcome thereof. Subject to these considerations, based on an initial assessment using information available to it as of the date of this prospectus, the Company believes that this dispute will not cause a material adverse effect on SharkNinja's, or the Group's, operations and financial results. See "Risk Factors—Risks Relating to Our Business and Industry—We could be impacted by unfavorable results of legal and administrative proceedings."

From time to time, we settle certain of the litigations we have been involved in. For example, in November 2014, one of our competitors alleged that we falsely advertised certain products by making

inaccurate comparisons with certain of their products. In August 2018, in connection with the foregoing case with the competitor, one insurer to SharkNinja filed a lawsuit seeking a declaration regarding its insurance coverage over the dispute with the competitor. In January 2017, we faced a lawsuit for patent infringement and trade secret misappropriation, among other claims, in breach of a confidentiality agreement. We subsequently settled all three cases and paid the relevant settlement amounts, which were recovered from the seller in relation to our acquisition of SharkNinja according to the arrangement mentioned in detail below. We believe none of these settlements have a material adverse effect on our financial results and reputations.

The total amount we paid or agreed to pay for settlements, excluding the amount contributed by our insurers, during the Track Record Period and up to the Latest Practicable Date was US$17.4 million. During the acquisition of SharkNinja, the seller agreed to indemnify us for our losses (other than reasonable attorney's fees incurred) resulting from certain litigation or settlements of SharkNinja up to an aggregate amount of US$50.0 million. Out of the US$17.4 million that we paid or agreed to pay for settlements during the Track Record Period and up to the Latest Practicable Date, approximately US$15.4 million was recovered from the seller, reduced by any tax benefit that we may realize by paying these settlements. Other than the total amount we paid or agreed to pay for settlements as disclosed, as of the Latest Practicable Date, we were not aware of, and had not made any provisions for, any liabilities for any other litigation.

We confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

LICENSES, PERMITS AND APPROVALS

According to our PRC legal advisor, we have obtained all licenses, permits, approvals and certificates that are material for our business operations in the PRC and such licenses, permits, approvals and certificates are valid and subsisting.

We have obtained all licenses, permits, approvals and certificates that are material for our business operations in the United States and such licenses, permits, approvals and certificates are valid and subsisting.

THE CONTROLLING SHAREHOLDERS GROUP

The Controlling Shareholders Group, including Mr. Wang Xuning, Mr. Zhu Hongtao, Mr. Zhu Zechun, Ms. Yang Ningning, Ms. Huang Shuling, Ms. Han Run and Mr. Jiang Guangyong, is a group of individuals holding interests in our Company through a common investment holding entity, namely, JS Holding. JS Holding is an exempted limited partnership registered in the Cayman Islands on July 18, 2018 under the name of Hezhou Limited Partnership, with Hezhou, a company wholly owned by Mr. Wang Xuning, being its general partner. On the same date, members of the Controlling Shareholders Group, through their respective holding entities, incorporated Tong Zhou and Gong Ji (which was subsequently merged into Tong Zhou) in BVI, which further subscribed all the limited partnership interest of JS Holding. As a result, the members of the Controlling Shareholders Group established JS Holding to commonly held their interests in our Company. See "History, Reorganization and Corporate Structure—Reorganization."

As of the date of this prospectus, JS Holding was interested in approximately 56.62% of the total issued Shares of our Company, thus the members of the Controlling Shareholders Group, their respective BVI SPVs, Hezhou, Tong Zhou and JS Holding were deemed to be Controlling Shareholders of the Company as to 56.62%. Upon the completion of the Global Offering (assuming the Over-Allotment Option is not exercised), the members of the Controlling Shareholders Group, their respective BVI SPVs, Hezhou, Tong Zhou and JS Holding will continue to be Controlling Shareholders of the Company being interested in approximately 48.12% of the Shares of our Company.

In addition, STL holds 100 management shares (representing 100% voting rights) and one class B participating share (without voting rights) in Sol SPC, while Mr. Lee Puay Khng held 368,304.24536 class A participating shares (representing 100% issued class A participating shares and without voting rights) in Sol SPC. STL is wholly owned by XNL, which is in turn wholly owned by Mr. Wang Xuning. Therefore, Mr. Wang Xuning will also be deemed to be interested in the Shares of our Company held by Sol SPC and each of Mr. Wang Xuning, STL and Sol SPC will be Controlling Shareholders of the Company. As of the date of this prospectus, Sol SPC was interested in approximately 13.00% of the total issued share capital of our Company. As a result, Mr. Wang Xuning is deemed to be interested in the Shares of our Company held in aggregate by JS Holding and Sol SPC, thus upon the completion of the Global Offering (assuming the Over-Allotment Option is not exercised), Mr. Wang Xuning will be deemed to be interested in approximately 59.17% of the Shares of our Company.

The Controlling Shareholders Group will continue to be our controlling shareholders upon the completion of the Global Offering.

Other Business Held by the Controlling Shareholders Group

Our Group principally engages in the development, manufacturing, and marketing of small household appliances, including kitchen appliances and cleaning appliances.

In addition to its interest in our Group, the Controlling Shareholders Group also held directorships and/or equity interest in the following companies:

(i) **Hangzhou Lexiu Electrical Technology Company Limited (杭州樂秀電子科技有限公司)** ("Hangzhou Lexiu"): As of the Latest Practicable Date, Hangzhou Lexiu was held as to

10% by Ningbo Meishan Free Trade Port Area Xuning Innovation Investment Partnership (Limited Partnership) (寧波梅山保税港區旭寧創新投資合夥企業(有限合夥)), whose general partner is Ningbo Meishan Free Trade Port Area Xuning Investment Limited (寧波梅山保税港區旭寧投資有限公司) which is 99% held by Mr. Wang Xuning. Hangzhou Lexiu is primarily engaged in the industry of personal care appliances;

(ii) **Jiuyang Bean**: Jiuyang Bean was established in China in November 2008. In preparation for the Listing, we undertook a corporate reorganization in November 2018 and transferred all of our equity interests in Jiuyang Bean to Ningbo Meishan Free Trade Port Area Lihao Investment Limited (寧波梅山保税港區力豪投資有限公司), a company 88.39% held by Shanghai Hezhou, which is in turn as to 95.34% held by the Controlling Shareholders Group. See "History, Reorganization and Corporate Structure—Reorganization." As of the Latest Practicable Date, Jiuyang Bean was owned as to 50%, 30% and 20% by Ningbo Meishan Free Trade Port Area Lihao Investment Limited, Joyoung, and an Independent Third Party, respectively. Jiuyang Bean generally provides soymilk powder and commercial soymilk makers; and

(iii) **Hangzhou Yibei Food Technology Company Limited (杭州易杯食品科技有限公司)** ("Hangzhou Yibei"): As of the Latest Practicable Date, Hangzhou Yibei was directly held as to approximately 54.08% by Mr. Wang Xuning and his close associate, and Mr. Wang Xuning serves as a director of Hangzhou Yibei. Hangzhou Yibei primarily provides capsule machines, drinks capsules and other capsule machine accessories.

On the basis that: (i) we have different product categories with Hangzhou Lexiu, as we are primarily engaged in the kitchen and cleaning appliance market, while Hangzhou Lexiu is primarily engaged in the personal care appliance market; (ii) our products have different usage scenarios from the products of Jiuyang Bean, as our products are generally for home use and targeted at individual customers while Jiuyang Bean generally provides soymilk powder and commercial soymilk makers to factories, schools, stores and restaurants; and (iii) our household appliance products, especially soymilk makers and blenders have different usage scenarios as Hangzhou Yibei's capsule machines, as our soymilk makers and blenders are primarily used in household kitchens to make soymilk, juice and other drinks, while Hangzhou Yibei's capsule machines mainly target at hotels, restaurants and offices to produce drinks such as coffee and milk tea, in addition, Mr. Wang Xuning only holds a non-executive role in Hangzhou Yibei and our senior management does not overlap with the management of Hangzhou Yibei, our Directors are of the view that the directorships and/or equity interest held by the Controlling Shareholders Group in Hangzhou Lexiu, Jiuyang Bean and Hangzhou Yibei would not give rise to any material competition issue under Rule 8.10 of the Listing Rules. As of the Latest Practicable Date, the Controlling Shareholders Group did not intend to inject its equity interest in such companies into our Group.

Confirmation

Saved as disclosed in this prospectus, neither any member of the Controlling Shareholders nor any of our Directors was, as of the Latest Practicable Date, interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, we believe that we are capable of carrying on our business independently from the Controlling Shareholders Group and its close associates after completion of the Global Offering.

Management Independence

Our daily operational and management decisions are made by our Board and our senior management. Our Board consists of three executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Wang Xuning is our Chairman of the Board, Ms. Han Run and Ms. Huang Shuling are executive Directors. Notwithstanding that Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling are members of the Controlling Shareholders Group, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

(1) Each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests.

(2) In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

(3) Our Board has a balanced composition of executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders Group or their respective close associates; (b) our independent non-executive Directors account for more than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and most of them have experience as independent non-executive directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole.

(4) We will establish corporate governance measures and adopt sufficient and effective control mechanisms to manage conflicts of interest, if any, between our Group and the Controlling Shareholders Group, which would support our independent management. See "—Potential Conflicts of Interest and Corporate Governance Measures."

Having considered the above factors, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders Group after the Listing.

Operational Independence

Our Group holds all the relevant material licenses, qualifications and permits required for conducting our business. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders Group and its close associates. Our Group also has independent access to our clients. We have our own accounting and financial department, human resources and administration department, internal control department and technology department (including research and development function). We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of the Controlling Shareholders Group and its close associates. Our Directors are of the view that our Group will be able to operate independently from the Controlling Shareholders Group and its respective close associates after the Listing.

Financial Independence

Our Group has an independent internal control, accounting and financial management systems, as well as an independent finance department which makes financial decisions according to our own business needs. Our Group's accounting and finance functions are independent of those of the Controlling Shareholders Group.

Our source of funding was independent from the Controlling Shareholders Group, and no members of the Controlling Shareholders Group or their respective close associates financed our business operations during the Track Record Period.

Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from the Controlling Shareholders Group and its close associates from a financial perspective, and are able to maintain financial independence from the Controlling Shareholders Group and its close associates.

NON-COMPETE UNDERTAKING

Each member of the Controlling Shareholders Group signed a non-competition undertaking on October 10, 2019 in favor of our Group (the "Non-competition Undertaking"). Pursuant to the Non-competition Undertaking, the members of the Controlling Shareholders Group have irrevocably undertaken that they would not and will procure that their close associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business").

The above undertaking does not apply where:

(i) the Controlling Shareholders Group and/or its close associates hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;

(ii) the Controlling Shareholders Group and/or its close associates hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than those of our Group;

(iii) the Controlling Shareholders Group and/or its close associates hold any equity interests in any company other than those of our Group, which:

(a) according to the latest audited accounts of the company, the Restricted Business in which the company is engaged (and its related assets) accounts for less than 10% of the consolidated sales or consolidated assets of the company; and

(b) the total number of shares held by the Controlling Shareholders Group and/or its close associates accounts for no more than 5% of the shares of the same class issued by the relevant company, and the Controlling Shareholders Group and/or its close associates have no right to appoint most of the directors of the company; or

(iv) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by the Controlling Shareholders Group and/or its respective close associates to us and, after decision by the Company, we have declined in writing or failed to respond within thirty (30) working days (the notification period could be extended to sixty (60) working days if requested by us) after being notified of such opportunity to invest, participate, be engaged in or operate the Restricted Business.

Pursuant to the Non-competition Undertaking, the above restrictions would only cease to have effect on a Controlling Shareholder upon the earlier of: (i) the Shares of our Company ceasing to be listed on the Stock Exchange; and (ii) such Controlling Shareholder ceasing to be a Controlling Shareholder.

Option for New Business Opportunities

The Controlling Shareholders Group has undertaken in the Non-competition Undertaking that if our Controlling Shareholders Group and its close associates (excluding our Group's member companies) become aware of, have received notice about, are recommended or provided with new business opportunities which will or may directly or indirectly compete with the Restricted Business, including but not limited to the opportunities which are the same as or similar to the Restricted Business (the "New Business Opportunities"), our Controlling Shareholders Group shall refer or recommend, and shall procure that its close associates (excluding the Group's member companies) to refer or recommend, the New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties in accordance with the following:

(1) The Controlling Shareholders Group shall provide our Group with a written notification which includes all reasonable and necessary information known to the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) (including but not limited to the nature of the New Business Opportunities and necessary information relating to the cost of the relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Restricted Business; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the "Offer Notice"); and

(2) The Group shall respond to the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) within thirty (30) working days after receipt of the Offer Notice (the notification period could be extended to sixty (60) working days if requested by us). If our Group fails to reply to the Controlling Shareholders and/or its close associates (excluding the Group's member companies) within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, the Controlling Shareholders and/or its close associates (excluding the Group's member companies) would be obligated to offer such New Business Opportunities to our Group.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to take up a new business opportunity referred to us by the Controlling Shareholders Group and/or its close associates. When the Controlling Shareholders Group and/or its close associates deliver to us the Offer Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before returning to the Controlling Shareholders Group and/or its close associates within the 30-day period from the date of receiving such Offer Notice. When considering whether or not to exercise the option for an acquisition, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the development stage of the business, estimate profitability and investment as well as whether it is in line with our strategy.

Pre-emptive Right

The Controlling Shareholders Group has undertaken that if the Controlling Shareholders and/or their close associates (excluding the Group's member companies) intend to transfer, sell, lease or license a concession to a third party, any businesses engaged in by the Controlling Shareholders Group and/or its close associates which compete or may compete with the Restricted Business or any other businesses which would cause direct or indirect competition with the Restricted Business, it shall offer our Group such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties in accordance with the following:

(1) The Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) shall provide the Company with written notice no later than the time of any such disposal (the "Disposal Notice"). For the avoidance of doubt, the Controlling Shareholders and/or their close associates (excluding the Group's member companies) are entitled to provide information and/or a Disposal Notice relating to such disposal to any third parties at the same time as or after providing the Disposal Notice to the Company;

(2) The Company shall reply to the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) or the expiration of the period offered to third parties for them to reply in writing, before exercising the pre-emptive right;

(3) If the Company intends to take up such pre-emptive right, the terms shall be determined with reference to fair market terms; and

(4) The Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) shall not dispose of such businesses and interests to any third parties

unless (a) the Company declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive right has not been received by the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) from the Company by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) and the expiration of the period offered to third parties for them to reply; or (c) the Company fails to offer the Controlling Shareholders and/or their close associates (excluding the Group's member companies) the same or more favorable terms of acquisition than those offered by any third parties to the Controlling Shareholders and/or their close associates.

For the avoidance of doubt, the terms of disposal offered by the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) to any third parties shall not be more favorable than those to be offered to the Company.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise our pre-emptive right. When the Controlling Shareholders Group and/or its close associates deliver to us the Disposal Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before reverting to the Controlling Shareholders Group and/or its close associates within the 30-day period from the date of receiving such Disposal Notice. When considering whether or not to exercise our pre-emptive right, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the development stage of the business, estimate profitability and investment as well as whether it is in line with our strategy.

Option for Purchase

To the extent that no relevant laws and regulations are breached and agreements with third parties are complied with, the Company is entitled to acquire any businesses operated by the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) which compete or may compete with the Restricted Business or have the option to acquire any businesses or any interests engaged in by the Controlling Shareholders Group and/or its close associates (excluding the Group's member companies) through the abovementioned New Business Opportunities (the "Option for Purchase"). The Company is entitled to exercise the Option for Purchase, whether singly or separately, at any time, and the Controlling Shareholders Group and/or their its associates (excluding the Group's member companies) shall offer the Option for Purchase to the Company on the condition that the commercial terms of a proposed acquisition shall be arrived at solely by a committee consisting of our independent non-executive Directors after consulting the views of independent experts (if necessary). Furthermore, such commercial terms shall be based on negotiation between the parties involved in line with the normal commercial practice of the Company, and shall be fair, reasonable and in the interests of the Company as a whole through negotiation with the Controlling Shareholders Group and its close associates (other than the Group's member companies).

However, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Company's Option for Purchase shall be subject to such third-party rights. In such case, the Controlling Shareholders Group and/or its close associates

(excluding the Group's member companies) will use their best efforts to persuade the third party to waive his/her/its pre-emptive rights.

Controlling Shareholders Group's Further Undertakings

The Controlling Shareholders Group has further undertaken that, subject to relevant laws, regulations or contractual arrangements with third parties:

(1) at the request of the Group, it shall provide, and shall procure that its close associates (excluding the Group's member companies) will provide, any necessary information for the implementation of the Non-competition Undertaking;

(2) it shall allow the authorized representatives or auditors of the Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgment of the Group in respect of whether the Controlling Shareholders Group and/or its close associates have complied with the Non-competition Undertaking; and

(3) it shall ensure that, within ten (10) working days of receipt of the written request from the Group, necessary confirmation shall be made in writing to the Group as to the performance of the Non-competition Undertaking by the Controlling Shareholders Group and its close associates (other than the Group's member companies), and the consent of the Controlling Shareholders Group and its close associates to allow such confirmation to be included in the our annual reports.

POTENTIAL CONFLICTS OF INTEREST AND CORPORATE GOVERNANCE MEASURES

After completion of the Reorganization and as of the Latest Practicable Date, the Controlling Shareholders Group collectively directly holds approximately 13.60% equity interest in Shanghai Lihong (the "Remaining Interest"). This is because, among others, as advised by our tax advisors, the Board of Directors is of the opinion that if the Controlling Shareholders Group transferred the Remaining Interest to our Company (the "Transfer"), such Transfer would subject the Controlling Shareholders Group to a significant amount of tax payment. Meanwhile, the swap of Remaining Interest of the Controlling Shareholders Group at Shanghai Lihong level to the Company level (the "Share Swap") is not feasible due to regulatory restrictions under PRC law. As advised by our PRC legal advisors, such proposed swap would constitute a cross-border share swap, and, according to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules"), the Share Swap should be subject to review and approval by MOFCOM on the condition that the overseas company is being listed and traded on a legitimate overseas stock exchange (the "Listing Condition of the Share Swap").

To mitigate the potential conflict of interest and stemming from commercial understanding among shareholders of Shanghai Lihong, shareholders of Shanghai Lihong have agreed in the Shanghai Lihong joint venture agreement dated November 27, 2018 that: (i) the members of Controlling Shareholders Group, with their direct equity interests as to 13.60% in Shanghai Lihong, will not nominate any representative to the board of directors, which is the supreme organ of Shanghai Lihong under applicable PRC laws and regulations; and (ii) after the completion of the Global Offering, the dividend distribution of Shanghai Lihong would not be made to Shanghai Lihong's shareholders according to their respective shareholding in Shanghai Lihong, rather, the dividend attributable to the Controlling Shareholders Group (if any) would be paid to shareholders other than the

Controlling Shareholders Group, Shanghai Hezhou, Sunshine Rise and Easy Appliance (the "Other Shareholders"). Such dividend payment arrangement stemmed from the commercial understanding among the shareholders of Shanghai Lihong, which enables the Other Shareholders to maintain their economic interests in Shanghai Lihong after the Reorganization and also serves to minimize the potential conflict of interests caused by the Remaining Interest. In particular, the aggregate equity interest held by the Other Shareholders in Shanghai Lihong were diluted from approximately 16.25% to approximately 2.64% upon completion of the Reorganization. Considering that the Other Shareholders wished to maintain their economic interests in Shanghai Lihong (i.e., 16.25%) after the Reorganization, the Controlling Shareholders Group, Shanghai Hezhou, Sunshine Rise and Easy Appliance on the one hand, and the Other Shareholders on the other hand, discussed and agreed, from a commercial perspective, that any dividends that the Controlling Shareholders Group is entitled to (i.e. approximately 13.60%) will be transferred to the Other Shareholders, meanwhile the Controlling Shareholders Group would not receive any dividend distribution. Moreover, with respect to the transactions between Shanghai Lihong and/or its subsidiary(ies) on the one hand, and our Company and/or its subsidiary(ies) (other than Shanghai Lihong and its subsidiary(ies)) on the other hand (the "Shanghai Lihong Transaction"), the Controlling Shareholders Group undertakes to abstain from voting in the relevant board meeting(s)/shareholder meeting(s) with respect to any Shanghai Lihong Transactions to avoid any potential conflict of interest.

Furthermore, our Company, the Controlling Shareholders Group and Shanghai Lihong undertake to apply for the Share Swap as soon as the Listing Condition of the Share Swap is satisfied. The Share Swap will constitute a connected transaction under Chapter 14A of the Listing Rules. The Company will comply with the reporting, annual review, announcement, circular and independent shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules to complete the Share Swap. By the time the Controlling Shareholders Group disposes of the Remaining Interest, the remaining shareholders of Shanghai Lihong will enter into a new Shanghai Lihong joint venture agreement providing that the dividend distribution of Shanghai Lihong would be made to Shanghai Lihong's shareholders according to their respective shareholdings in Shanghai Lihong.

In addition, our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would also adopt the following corporate governance measures to manage potential conflicts of interest between our Group and the Controlling Shareholders Group:

(a) Where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholders Group has a material interest, the Controlling Shareholders Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting.

(b) Where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting.

(c) In the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders Group, the Controlling Shareholders Group shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements.

(d) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

(e) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules.

(f) We have appointed Altus Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders Group and/or other Directors to protect minority Shareholders' rights after Listing.

Upon Listing, transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon Listing and the nature of their relationship with our Group. We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon Listing:

Name	Connected Relationship
Jiuyang Bean	associate of the Controlling Shareholders Group.
Total Shareholder Return Limited	associate of Mr. Stassi Anastas Anastassov, our non-executive Director.
Joyoung	Joyoung is owned as to 50.11% by Shanghai Lihong thus a subsidiary of Shanghai Lihong. Shanghai Lihong is a non-wholly owned subsidiary of our Company, which is owned as to 13.60% by the Controlling Shareholders Group. Accordingly, Shanghai Lihong and its subsidiaries (the "Shanghai Lihong Group") are connected subsidiaries of the Company under Rule 14A.16 of the Listing Rules.
SharkNinja (China)	SharkNinja (China) is owned as to 51% and 49% by Joyoung and SharkNinja (Hong Kong), respectively, thus a member of the Shanghai Lihong Group. Accordingly, SharkNinja (China) is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31		
			2019	2020	2021
			(RMB in millions)		
Exempt continuing connected transactions					
1. Jiuyang Bean Mutual Provision of Products and Service Framework Agreement	14A.76(1)	N/A	N/A	N/A	N/A
2. Jiuyang Bean Property Leasing Framework Agreement	14A.76(1)	N/A	N/A	N/A	N/A
3. Total Shareholder Return Limited Advisory Agreement	14A.76(1)	N/A	N/A	N/A	N/A
Non-exempt continuing connected transactions					
4. Purchasing Distribution Agreement	14A.34 14A.35 14A.49 14A.71 14A.76 14A.105	Announcement requirement	60.0	190.0	N/A

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31		
			2019	2020	2021
			(RMB in millions)		
5. Commissioned Manufacturing Framework Agreement	14A.34 14A.35 14A.49 14A.71 14A.76 14A.105	Announcement requirement	450.0	500.0	550.0

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Jiuyang Bean Mutual Provision of Products and Service Framework Agreement

We entered into a mutual provision of products and service framework agreement with Jiuyang Bean (the "Jiuyang Bean Mutual Provision of Products and Service Framework Agreement") on October 10, 2019, pursuant to which we and Jiuyang Bean will mutually provide various types of products and services to each other in our ordinary course of business, and the party receiving such products and/or services shall, in return, pay relevant purchase fees and/or service fees. Specifically, we will provide small household appliances including soymilk makers and legal and business consultancy services to Jiuyang Bean, and Jiuyang Bean will provide bottled soymilk drinks to us. The initial term of the Jiuyang Bean Mutual Provision of Products and Service Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual consent of both parties. The prices to be provided under the Jiuyang Bean Mutual Provision of Products and Service Framework Agreement will be determined with reference to market price and will not be less favorable to us than the price of relevant products and services provided to/by independent purchasers/providers.

As the highest applicable percentage ratio for the fees payable by our Group to Jiuyang Bean and fees payable by Jiuyang Bean to our Group will be less than 0.1% on an annual basis, the transactions under the Jiuyang Bean Mutual Provision of Products and Service Framework Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

2. Jiuyang Bean Property Leasing Framework Agreement

We entered into a property leasing framework agreement with Jiuyang Bean (the "Jiuyang Bean Property Leasing Framework Agreement") on October 10, 2019, pursuant to which we may lease properties as factory buildings and dormitories to Jiuyang Bean, for which we may charge rental, property management fees, utility charges, device fees and other charges. The initial term of the Jiuyang Bean Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual consent of both parties. The rental and other charges to be paid to our Group under the Jiuyang Bean Property Leasing Framework Agreement will be determined with reference to the rental of properties with similar construction standard located in the same geographical location and fees we are charged by our property managers.

As the highest applicable percentage ratio for the fees payable by Jiuyang Bean to our Group will be less than 0.1% on an annual basis, the transactions under the Jiuyang Bean Property Leasing

Framework Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

3. Total Shareholder Return Limited Advisory Agreement

We entered into an advisory agreement with Total Shareholder Return Limited (the "Total Shareholder Return Limited Advisory Agreement") on July 1, 2017, pursuant to which we engaged Total Shareholder Return Limited as our corporate strategy advisor to provide business consulting services. The parties agreed in the Total Shareholder Return Limited Advisory Agreement that the initial term of the Total Shareholder Return Limited Advisory Agreement was from July 1, 2017 to July 1, 2018, and the agreement will be automatically renewed for another one year if no party chooses to terminate the agreement. The Total Shareholder Return Limited Advisory Agreement was renewed on July 1, 2018 and July 1, 2019. The annual retainer fee under the Total Shareholder Return Limited Advisory Agreement is USD120,000.

As the highest applicable percentage ratio for the fees payable by us to Total Shareholder Return Limited will be less than 0.1% on an annual basis, the transactions under the Total Shareholder Return Limited Advisory Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

4. Purchasing Distribution Agreement

Parties

Shenzhen SharkNinja (as supplier) and SharkNinja (China) (as distributor)

Principal terms

Shenzhen SharkNinja, one of our wholly-owned subsidiaries, entered into a purchasing distribution agreement (the "Purchasing Distribution Agreement") with SharkNinja (China) on March 1, 2018, pursuant to which SharkNinja (China) would purchase the small household appliances from Shenzhen SharkNinja for distribution. The initial term of the Purchasing Distribution Agreement commenced on March 1, 2018 and will expire on December 31, 2020, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

The Purchasing Distribution Agreement serves as the underlying agreement of the distribution arrangement between Shenzhen SharkNinja and SharkNinja (China), pursuant to which Shenzhen SharkNinja engaged SharkNinja (China) as its exclusive and sole distributor in the PRC to distribute its and its subsidiaries' small household appliances and conduct corresponding promotional activities in the PRC. By entering into the Purchasing Distribution Agreement with SharkNinja (China), we can leverage Joyoung's nationwide network and strong consumer base to accelerate the penetration of our Shark brand and Ninja brand into the Chinese market. In addition, being a member of our Group, SharkNinja (China) possesses a more comprehensive understanding of our products and has a faster

communication channel with us compared with other Independent Third Party distributors, which is essential in facilitating distributing our products to Chinese consumers.

Pricing policies

The abovementioned small household appliances Shenzhen SharkNinja provides to SharkNinja (China) under the Purchasing Distribution Agreement comprise various products. According to the Purchasing Distribution Agreement, the transactions contemplated thereunder are on normal commercial terms. We will make reference to the price of similar products in the PRC and will base such on cost-plus basis, including product cost, logistic cost, marketing expenses and commercially reasonable margin, to ensure that the terms of supplying products to SharkNinja (China) are fair and reasonable. With the assistance of the relevant procurement experience of our procurement department, we gather information on market prices and profit margin levels of small household appliances in the industry through industrial associations and other small household appliance suppliers in the PRC.

Historical amounts

Shenzhen SharkNinja and SharkNinja (China) commenced cooperation under the Purchasing Distribution Agreement in April 2018. For the year ended December 31, 2018 and the six months ended June 30, 2019, the aggregated connected transaction amount were RMB23.0 million and RMB40.2 million, respectively.

Annual caps

The transaction amount to be paid by SharkNinja (China) to Shenzhen SharkNinja under the Purchasing Distribution Agreement for the two years ending December 31, 2019 and 2020 are not expected to exceed the proposed annual caps set out below:

	Proposed annual caps for the years ending December 31,	
	2019	2020
	(RMB in millions)	
Transaction amount to be paid by SharkNinja (China) to Shenzhen SharkNinja	60.0	190.0

Basis of caps

The above proposed annual caps are determined with reference to the following factors:

- the historic transaction amounts and the growth trend under the existing product distribution arrangements between Shenzhen SharkNinja and SharkNinja (China) during the Track Record Period. In particular, the purchase price paid by SharkNinja (China) to Shenzhen SharkNinja amounted to RMB40.2 million for the six months ended June 30, 2019;
- the expected increase in the sales of the small household products under our Shark brand and Ninja brand because of (i) the expected significant growth of recognition and consumer base expansion of our Shark brand and Ninja brand in China in the two years ending December 31, 2020 as a result of the expected accelerated market penetration of our Shark brand and Ninja brand since they entered the Chinese market in 2018; and (ii) the expected expansion of the Chinese small household appliance market; and

- the expected increase in purchase fees to be charged by us due to the estimated increase in the cost of labor for the provision of products and services.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Purchasing Distribution Agreement for each of the two years ending December 31, 2020 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but be less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

5. Commissioned Manufacturing Framework Agreement

Parties

SharkNinja (Hong Kong) (as purchaser) and
Joyoung (as manufacturer)

Principal terms

We entered into a Commissioned Manufacturing Framework Agreement (the "Commissioned Manufacturing Framework Agreement") with Joyoung on October 10, 2019, pursuant to which SharkNinja (Hong Kong) will commission Joyoung and/or its subsidiaries to manufacture, or commission Joyoung and/or its subsidiaries to engage their OEM suppliers to manufacture, small household products and SharkNinja (Hong Kong) in return will pay purchase fees to Joyoung and/or its subsidiaries for the products manufactured. The initial term of the Commissioned Manufacturing Framework Agreement will commence on the Listing Date and will end on December 31, 2021, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

Being the market leader in China in respect of the small household appliance industry for years, Joyoung can utilize its local negotiation power to facilitate the synergistic supply chain evolution by integrating both Joyoung's and SharkNinja's abundant resources in procurement and production in China, which will enable us to offer high-quality products at more competitive prices. In addition, Joyoung maintains long-term and stable relationship with its suppliers, including OEM suppliers, who can well understand the sophisticated technical standards of our products under our Shark brand and Ninja brand based on their cooperative experience with Joyoung and secure proper use of our intellectual property and prevent the leakage of our technical and trade secrets. We believe that entering into the Commissioned Manufacturing Framework Agreement would minimize the potential risk of disruption to our Company's operations and ensure efficient and reliable supply of our products.

Pricing policies

The purchase fees to be paid by SharkNinja (Hong Kong) to Joyoung and/or its subsidiaries under the Commissioned Manufacturing Framework Agreement will be determined on normal commercial terms after arm's-length negotiations between the relevant parties on a cost-plus basis, taking into consideration the purchase amount paid to Joyoung's OEM suppliers, price of components and raw materials, depreciation of manufacturing facilities, as well as the cost of labor employed in manufacturing.

Historical amounts

SharkNinja (Hong Kong) and Joyoung and/or its subsidiaries commenced cooperation under the Commissioned Manufacturing Framework Agreement in May 2018. For the year ended December 31, 2018 and the six months ended June 30, 2019, the aggregated connected transaction amount were RMB188.5 million and RMB262.2 million, respectively.

Annual caps

The transaction amounts to be paid by SharkNinja (Hong Kong) to Joyoung and/or its subsidiaries under the Commissioned Manufacturing Framework Agreement for the three years ending December 31, 2019, 2020 and 2021 are not expected to exceed the proposed annual caps set out below:

	Proposed annual caps for the years ending December 31,		
	2019	2020	2021
	(RMB in millions)		
The transaction amount to be paid by SharkNinja (Hong Kong) to Joyoung and/or its subsidiaries	450.0	500.0	550.0

Basis of caps

The above proposed annual caps are determined with reference to the following factors:

- the historic transaction amounts and the growth trend under the existing arrangement between SharkNinja (Hong Kong) and Joyoung during the Track Record Period. In particular, the purchase price paid by SharkNinja (Hong Kong) to Joyoung and/or its subsidiaries amounted to RMB262.2 million for the six months ended June 30, 2019;
- the expected significant growth of recognition and consumer base expansion of our Shark brand and Ninja brand in the three years ending December 31, 2021, and accordingly the expected increasing demand for small household products manufactured by Joyoung and/or its subsidiaries; and
- the expected increase in purchase fees to be charged by Joyoung and/or its subsidiaries, and/or their OEM suppliers, due to the estimated increase in the cost of labor for the provision of products and services by Joyoung and/or its subsidiaries.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Commissioned Manufacturing Framework Agreement for each of the three years ending December 31, 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but be less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available from

Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under the framework agreements for connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the framework agreements and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- when considering service fees for the services to be provided to the Group by the above connected persons or the service fees for the services to be provided by the Group to the above connected persons, the Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be) are fair, reasonable and are no less favorable than those to be offered by Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As the above non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has

granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules in respect of the transactions under the Purchasing Distribution Agreement and the Commissioned Manufacturing Framework Agreement, provided that the total amount of transactions for years ending December 31, 2019, 2020 and 2021 will not exceed the relevant proposed annual caps as set out above. In addition, the Company will comply with the reporting, annual review, circular and independent shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION BY DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions have been and will continue to be carried out in our ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, (ii) obtained necessary representations and confirmation from the Company and the Directors and (iii) participated in the due diligence and discussion with the management of the Company and the PRC Legal Advisors. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions have been carried out in the ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

OVERVIEW

The Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, and formulating profit distribution plans and loss recovery plans of the Group.

The following tables set forth information regarding our Directors and senior management.

Directors and Senior Management

The table below sets forth certain information regarding our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Executive Director						
Mr. Wang Xuning (王旭寧) . .	50	Chairman and Executive Director	Formulating the business strategies, making major corporate and operational decisions of the Company and ensuring the Board's effective performance of its function; responsible for the overall management of our Group; Chairman of the Strategy Committee and Nomination Committee	March 1, 1994	July 26, 2018	None
Ms. Han Run (韓潤)	40	Executive Director	Assisting the Chairman in formulating business strategies and making major corporate and operational decisions of the Company and ensuring the Board's effective performance of its function; member of the Remuneration Committee	February 26, 2004	June 25, 2019	None

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Ms. Huang Shuling (黃淑玲)	55	Executive Director	Assisting the Chairman in formulating business strategies and making major corporate and operational decisions of the Company and ensuring the Board's effective performance of its function	October 14, 1994	June 25, 2019	None
Non-executive Directors						
Mr. Hui Chi Kin Max (許志堅)	46	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Strategy Committee	September 29, 2017	June 25, 2019	None
Mr. Stassi Anastas Anastassov	57	Non-executive Director	Providing professional opinion and judgment to the Board; member of the Strategy Committee	June 25, 2019	June 25, 2019	None
Independent Non-executive Directors						
Dr. Wong Tin Yau Kelvin (黃天祐)	58	Independent Non-executive Director	Providing independent opinion and judgment to the Board; Chairman of the Audit Committee and member of the Strategy Committee and Nomination Committee	October 11, 2019	October 11, 2019	None
Mr. Timothy Roberts Warner	68	Independent Non-executive Director	Providing independent opinion and judgment to the Board; Chairman of the Remuneration Committee and member of the Strategy Committee and Audit Committee	October 11, 2019	October 11, 2019	None
Mr. Yang Xianxiang (楊現祥)	52	Independent Non-executive Director	Providing independent opinion and judgment to the Board; member of the Strategy Committee, Audit Committee, Nomination Committee and Remuneration Committee	October 11, 2019	October 11, 2019	None

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information regarding the senior management of the Group:

Name	Age	Position	Major duties	Date of joining the Group	Relationship with other Directors and senior management
Mr. Wang Xuning (王旭寧)	50	Chief Executive Officer of the Company, Global Chief Executive Officer of Compass	Formulating the business strategies and making major corporate and operational decisions of the Company; responsible for the overall management of our Group	March 1, 1994	None
Ms. Han Run (韓潤)	40	Chief Financial Officer of the Company	Being responsible for investment, merger and acquisition and financing activities of the Company	February 26, 2004	None
Mr. Mark Adam Barrocas	47	Global President of the Company; President of SharkNinja Operating LLC	Being responsible for the global operation of the Company; being responsible for assisting in developing and implementing SharkNinja's strategies; making major corporate decisions and managing the overall operations and resources of SharkNinja	September 29, 2017	None
Ms. Yang Ningning （楊寧寧）	40	General Manager of Joyoung	Being responsible for the overall operation of Joyoung	March 1, 1997	None
Mr. Qiu Jiandiao （裘劍調）	46	Chief Financial Officer of Joyoung	Being responsible for the overall financial management of Joyoung	April 11, 2005	None
Mr. David William Stevenson	41	Chief Financial Officer of Compass	Being responsible for the overall financial management of SharkNinja	September 29, 2017	None

DIRECTORS

Executive Directors

Mr. Wang Xuning (王旭寧), age 50, has been the Chairman and Chief Executive Officer since June 25, 2019, the executive Director of the Company since July 2018, and the Global Chief Executive Officer of Compass since September 2017. He will also be appointed as the Chairman of the Strategy Committee and Nomination Committee of the Company upon the completion of the Global Offering. Mr. Wang has held several positions within the Group, including serving as a director of SharkNinja Operating LLC since April 2019, a director of SharkNinja Sales Company since September 2017, and the Chairman of Joyoung since September 2007. He also served as the General Manager and the President of Joyoung from September 2007 to March 2019. In 1994, Mr. Wang founded our Group by first conducting research and development on fully automatic soymilk maker. Mr. Wang received several awards and recognitions for his industry expertise, including being awarded the Ernst & Young (China) Entrepreneur Award (安永(中國)企業家獎) in 2012, being listed as one of the "Top Ten Innovative Figures in Household Appliance Industry of China (中國家電十大創新人物)" by people.com.cn (人民網) in December 2008 and he received the Highest Technology Award of Jinan (濟南市科技最高獎) in 2011. Mr. Wang was recognized as a senior engineer in October 1999.

Mr. Wang received a Bachelor's degree in electric traction and transmission control from Beijing Jiaotong University (北京交通大學) (formerly known as North Jiaotong University (北方交通大學)) in China in July 1991, and a Master of Business Administration from China Europe International Business School (中歐國際工商學院) in China in October 2003.

Ms. Han Run (韓潤), age 40, has been an executive Director, the Chief Financial Officer since June 25, 2019 and will be a member of the Remuneration Committee of the Company upon the completion of the Global Offering. Ms. Han has held several positions within the Group, including serving as the Vice Chairwoman of Joyoung since April 2019, and a director of Compass since September 2017. She also served as the Board Secretary and Vice General Manager of Joyoung from March 2015 to March 2019, the Vice President of Joyoung from March 2007 to March 2015, the Director of legal department of the board and the Chief Officer of the administrative center of Shandong Joyoung from March 2005 to March 2007, and the Manager of the administrative center of Shandong Joyoung from February 2004 to April 2005. Ms. Han also holds several positions within non-commercial organizations. She has served as the Vice President of China Household Electrical Appliances Association (中國家用電器協會) since December 2015, and successively served as a member of the eighth and ninth sessions of the Huaiyin District Committee of the CPPCC (政協槐蔭區委員會) since 2012. Ms. Han was granted the "New Fortune Gold Medal Board Secretary (新財富金牌董秘)" by New Fortune magazine in April 2019, the "Industry Elite Award (行業精英獎)" at the 30th anniversary ceremony of the China Household Electrical Appliances Association (中國家用電器協會) in December 2018, the "Advanced Individual of Enterprise Intellectual Property (企業知識產權工作先進個人)" by the State Intellectual Property Office (國家知識產權局) in December 2016, as well as the "First Award of the Science and Technology Progress of China Light Industry Council (中國輕工業聯合會科學技術進步一等獎)" by the China Light Industry Council (中國輕工業聯合會) in 2014.

Ms. Han received an Executive Master of Business Administration from Guanghua School of Management of Peking University (北京大學光華管理學院) in China in January 2014.

Ms. Huang Shuling (黃淑玲), age 55, has been an executive Director of the Company since June 25, 2019. Ms. Huang has also been an executive director of Shanghai Lihong since November

2010, and the Chairwoman and General Manager of Shanghai Lihong since December 2018. She served as the Vice Chairwoman of Joyoung from September 2007 to March 2019, and the Chairwoman of Shandong Joyoung from July 2002 to September 2007. Ms. Huang co-founded our Group in October 1994. She has also held several other positions within non-commercial organizations, including serving as a standing committee member of the Twelfth Session of Executive Committee of All-China Federation of Industry and Commerce (中華全國工商業聯合會第十二屆執行委員會) since November 2017. She is also currently the Vice Chairwoman of the Association of Industry and Commerce of Shandong (山東省工商業聯合會) and a standing committee member of the twelfth session of the Shandong Committee of the CPPCC (政協山東省委員會).

Ms. Huang received a Bachelor of Economics in planning statistics from Shandong University of Finance and Economics (山東財經大學) (formerly known as Shandong Economic School (山東經濟學院)) in Shandong, China in July 1987, and an Executive Master of Business Administration in senior management business administration from Cheung Kong School of Business (長江商學院) in Beijing, China in September 2007.

Non-executive Directors

Mr. Hui Chi Kin Max (許志堅), age 46, has been a non-executive Director since June 25, 2019 and will be a member of the Strategy Committee of the Company upon the completion of the Global Offering, and has also served as a director of Compass, primarily responsible for company oversight and formation since July 2017. Mr. Hui has more than 20 years of experience in investment and fund management. He has served as the Chief Executive Officer and a managing director of CDH Investment Advisory Private Limited in Singapore since July 2013, primarily responsible for fund management business. Mr. Hui also served as a non-executive director of China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01117), for corporate development and strategic planning from 2009 to 2017. Prior to joining CDH Investments in 2003, Mr. Hui worked with the investment banking department of Schroders & Co in New York and the private equity division of Morgan Stanley Dean Witter Asia in Hong Kong from 1999 to 2003. Prior to working in the financial industry, Mr. Hui was an Engineer at the oil and gas pipeline division of Bechtel Corporation in San Francisco from 1997 to 1998.

Mr. Hui received a Bachelor's degree in chemical engineering from the University of California, Berkeley in December 1996, and a Master of Engineering from Princeton University in June 1999.

Mr. Stassi Anastas Anastassov, age 57, has been a non-executive Director since June 25, 2019 and will be a member of the Strategy Committee of the Company upon the completion of the Global Offering. He has served as a Senior Consultant in Total Shareholder Return Limited, a private equity-focused advisory firm, since July 2015. He served as the U.S.A. Global President and Chief Executive Officer of Duracell Company, a former division of Procter & Gamble ("**P&G**"), from November 2010 to January 2015. From 2001 to November 2010 he served as a Vice President at P&G, being responsible for babycare products, feminine care products and snacks in the Central Europe, Eastern Europe, Middle East and Africa markets. From July 1999 to June 2001 he was a General Manager of P&G responsible for Near East Markets (including Lebanon, Jordan, Syria and Israel) and the Eastern Europe market (Moscow). From May 1987 to August 1999 he held different positions within P&G, successively serving as an Assistant Brand Manager being responsible for babycare products in France, a Brand Manager being responsible for paper and dish products in Nordic, a

Marketing Manager being responsible for laundry and cleaning products in Nordic, a Marketing Director in charge of marketing operations in Russia and a General Manager being responsible for Russian business operations covering laundry, cleaning, baby and feminine products.

Mr. Anastassov received a Bachelor's degree in business administration and economics from Uppsala University in Sweden in June 1987.

Independent Non-Executive Directors

Dr. Wong Tin Yau Kelvin (黃天祐), Justice of the Peace, age 58, has been an independent non-executive Director, the Chairman of the Audit Committee and will be a member of the Strategy Committee and Nomination Committee of the Company upon the completion of the Global Offering. Dr. Wong has served as an independent non-executive director and a member of the audit committee of Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 02202) and the Hong Kong Stock Exchange (Stock Code: 02208), since October 2016 and from June 2011 to June 2016; as an independent non-executive director and the chairman of the audit committee of Huarong International Financial Holdings Limited (華融國際金融控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 00993), since October 2015; as an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd (上海復星醫藥(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600196) and the Hong Kong Stock Exchange (Stock Code: 02196), since June 2015; as an independent non-executive director and a member of the audit committee of the Bank of Qingdao Co., Ltd. (青島銀行股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002948) and the Hong Kong Stock Exchange (Stock Code: 03866), since April 2015; as an independent non-executive director of China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01728), since November 2010; as an independent non-executive director and a member of the audit committee of I.T Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00999), since August 2007; and as an executive director and deputy managing director of COSCO SHIPPING Ports Limited ("COSCO Ports") (中遠海運港口有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 01199), since July 1996. Dr. Wong also served as an independent non-executive director of Mingfa Group (International) Company Limited (明發集團(國際)有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 00846), from September 2018 to March 2019, and as an independent non-executive director and a member of the audit committee of Asia Investment Finance Group Limited (亞投金融集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 00033), from October 2016 to February 2018.

Notwithstanding the fact that Dr. Wong currently has independent directorship engagements with six listed companies, Dr. Wong confirmed that he would devote sufficient time to act as our non-executive Director based on the following:

- his role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business, and thus his engagement as our independent non-executive Director will not require his full-time participation;
- except in COSCO Ports, he is neither a full-time member of the aforementioned listed companies nor involved in day-to-day operations or management of such companies, and thus has no management responsibility therein;

- he has maintained a high attendance rate for board meetings, committee meetings and shareholders' meetings for the aforementioned listed companies during the respective latest financial periods since his appointment date;
- with his knowledge and experience, Dr. Wong has not found difficulties in devoting his time to and managing his time with the listed companies where he serves as an independent non-executive director, and he is confident that with his experience in being responsible for several roles, he will be able to fulfill his duties to our Company properly; and
- none of the listed companies that he has directorship engagement with has questioned or complained about his time devoted to such listed companies.

Dr. Wong has undertaken to devote sufficient time to attend to his work as an independent non-executive Director of our Group, and also, based on the foregoing, the Board does not have reason to believe that the directorships currently held by Dr. Wong will result in his having insufficient time to act as our independent non-executive Director or improperly discharge his fiduciary duties as a Director of our Company.

Dr. Wong has also served as the Chairman of the Financial Reporting Council (財務匯報局) since December 2018, as the immediate past Chairman of The Hong Kong Institute of Directors (香港董事學會) since July 2014, and as a committee member of the Operations Review Committee of the Independent Commission Against Corruption ("ICAC") (香港廉政公署審查貪污舉報諮詢委員會) since January 2017.

Dr. Wong received a Master of Business Administration from Andrews University in the United States in August 1992 and a Doctorate of Business Administration from The Hong Kong Polytechnic University in December 2007.

Mr. Timothy Roberts Warner, age 68, has been appointed as an independent non-executive Director, the Chairman of the Remuneration Committee and will be appointed as a member of the Strategy Committee and Audit Committee of the Company upon the completion of the Global Offering. Mr. Warner has extensive experience in corporate finance and management operations. He has also served as the Chairman of the board of the Tuition Plan Consortium, a national prepaid tuition plan for private colleges and universities in the United States, and has served as the Co-President of Board of Trustees of the Western Reserve Academy since 2010. He has been a Vice Provost for budget and auxiliaries management at Stanford University since 1994, primarily responsible for strategic and financial planning and the line management of several large important service organizations within Stanford University.

Mr. Warner received a Bachelor of Arts with honors in history from Wesleyan University in the United States in May 1973, and a Master of Business Administration from the Graduate School of Business of Stanford University in the United States in June 1977.

Mr. Yang Xianxiang (楊現祥), age 52, has been an independent non-executive Director, and will be a member of the Strategy Committee, Audit Committee, Nomination Committee and Remuneration Committee of the Company upon the completion of the Global Offering. He has held several positions in SITC International Holdings Company Limited (海豐國際控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1308), including as the Chief

Executive Officer from January 2008 to March 2010, the Chief Executive Officer and executive director from April 2010 to February 2013, as well as Vice Chairman since March 2013. He served as the Chief Executive Officer of Shanghai Haifeng Shipping Ltd. (上海海豐航運有限公司) as well as the President of Xin Haifeng Container Transportation Co., Ltd. (新海豐集裝箱運輸有限公司) from May 2007 to January 2008, the Executive Vice President and President of Shandong Haifeng International Shipping Group Limited (山東海豐國際航運集團有限公司) from January 2002 to January 2005 and January 2005 to May 2007, respectively. He served as the General Manager of Shandong Haifeng Shipping Business Limited (山東海豐船務有限公司) from August 1997 to December 2001. Mr. Yang currently also holds positions in non-commercial organizations, including serving as a Visiting Professor at the School of Economics and Management of Shanghai Maritime University (上海海事大學經濟管理學院) from June 2015 to June 2018 and from June 2019 until now. He also served as the Managing Director and the Chairman of the Member Recruitment Committee of Y-Triangle CEO Organization Learning Oasis (楊三角組織能力CEO學習聯盟) since January 2013. Mr. Yang was granted the "Leadership Award" at the China Shipping Forum (中國航運論壇) hosted by Capital Link in May 2016, and the "Best Senior Management Award (最佳高管獎)" at the Eighth TradeWinds Shipping China in May 2012.

Mr. Yang received an Associate in English Literature from Shandong University (山東大學) in Shandong, China in December 1991, a Master of Business Administration from Asia International Open University (Macau) in September 2000, and an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in China in April 2006.

Save as disclosed above, none of the Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors and having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules. Save as disclosed in the sections headed "Relationships with Controlling Shareholders," none of the Directors have any interest in any business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

SENIOR MANAGEMENT

Mr. Wang Xuning (王旭寧), age 50, is the Chairman, Chief Executive Officer and an executive Director of the Company, the Chairman of Joyoung and the Global Chief Executive officer of Compass. See "—Directors—Executive Directors."

Ms. Han Run (韓潤), age 40, is an executive Director and the Chief Financial Officer of the Company and the Vice Chairwoman of Joyoung. See "—Directors—Executive Directors."

Mr. Mark Adam Barrocas, age 47, has served as the Global President of the Company since June 2019. He has also served in various other positions within the Group, including serving as the President of SharkNinja Operating LLC since September 2008 with responsibility for all of its subsidiaries. Prior to joining the Group, Mr. Barrocas served as the President of the Wearguard Division of Aramark Uniform Services from November 2005 to September 2008, and also served as Sale and Marketing President, Alpha Division and Executive Vice President of Broder Bros., Co. from

December 2003 to February 2005, and President of Broder Bros., Co. from February 2005 to November 2005, respectively.

Mr. Barrocas received a Bachelor's degree in general studies from the University of Michigan, U.S. in August 2004.

Ms. Yang Ningning (楊寧寧), age 40, has served as the General Manager and a director of Joyoung since March 2019 and October 2010, respectively, and the Chairwoman of SharkNinja (China) Technology Co., Ltd. since August 2018. She also served as the Vice General Manager of Joyoung from April 2014 to March 2019, and the Chief Financial Officer of Joyoung from September 2007 to October 2013.

Ms. Yang is now attending the City University of Hong Kong Executive M.B.A. program and is expected to receive an Executive Master of Business Administration in October 2019.

Mr. Qiu Jiandiao (裘劍調), age 46, has served as the Chief Financial Officer of Joyoung since April 2014. He also served as the Chief Financial Officer and Financial Manager of Joyoung Household Appliances, a subsidiary of the Company, from February 2009 to April 2014 and from April 2005 to February 2009, respectively.

Mr. Qiu received an Associate in Accounting from Zhejiang University of Finance and Economics (浙江財經大學) (formerly known as Zhejiang School of Finance and Economics (浙江財經學院)) in Zhejiang, China in December 1995, and a Master of Business Administration from Asia Metropolitan University in Selangor Darul Ehsan, Malaysia in July 2018.

Mr. David William Stevenson, age 41, has served as the Chief Financial Officer of Compass, the parent company of the SharkNinja group of companies, since April 2019. He had successively held several positions in SharkNinja, including as Interim Chief Financial Officer from December 2018 to April 2019, Senior Vice President of Finance and the Chief Accounting Officer from September 2017 to December 2018, Vice President of Finance from June 2015 to September 2017 and Corporate Controller from July 2013 to June 2015. Prior to joining SharkNinja, Mr. Stevenson served as the Senior Manager in the audit practice of Grant Thornton LLP from December 2011 to June 2013, and held various positions at the accounting firm CCR LLP from September 2002 to November 2011 with the eventual title of partner.

Mr. Stevenson received a Bachelor of Science in business and economics from Lehigh University in Pennsylvania, U.S. in June 2000.

COMPANY SECRETARY

Mr. Shan Minqi (單敏奇), has been our Company Secretary since June 25, 2019. He has served as the director of investment department of Joyoung since March 2017, primarily responsible for domestic and foreign investment. Prior to joining our Group, he served as an assistant vice president in DBS Bank (星展銀行) in Hong Kong and Singapore from April 2014 to March 2017 and as a staff accountant and senior accountant in Ernst & Young (安永會計師事務所) in Hong Kong from September 2008 to September 2011. Mr. Shan has been a member of the Hong Kong Institute of Certified Public Accountants since November 2011.

Mr. Shan received a Bachelor of Business Administration in accounting and finance from the University of Hong Kong (香港大學) in November 2008 and a Master of Business Administration from the Hong Kong University of Science and Technology (香港科技大學) in May 2013.

BOARD COMMITTEES

The Company has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Strategy Committee

The Strategy Committee of the Company consists of six members, including one executive Director, namely Mr. Wang Xuning, two non-executive Directors, namely Mr. Hui Chi Kin Max and Mr. Stassi Anastas Anastassov, and three independent non-executive Directors, namely Dr. Wong Tin Yau Kelvin, Mr. Timothy Roberts Warner and Mr. Yang Xianxiang. Mr. Wang Xuning currently serves as the Chairman of the Strategy Committee. The primary duties of the Strategy Committee are as follows:

1. to research and make recommendations to the Board on the long-term development strategies and plans of the Company;
2. to research and make recommendations to the Board on the major financing plans of the Company and other major strategic issues influencing the development of the Company; and
3. to review the implementation of the above matters.

Audit Committee

The Audit Committee of the Company consists of three members, including three independent non-executive Directors, namely Dr. Wong Tin Yau Kelvin, Mr. Timothy Roberts Warner and Mr. Yang Xianxiang. Dr. Wong Tin Yau Kelvin currently serves as the Chairman of the Audit Committee. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system-setting plan of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

7. to monitor the non-compliance of the Company in respect of the financial reports, risk management and internal control; and

8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Nomination Committee

The Nomination Committee of the Company consists of three members, including one executive Director, namely Mr. Wang Xuning, and two independent non-executive Directors, namely Dr. Wong Tin Yau Kelvin and Mr. Yang Xianxiang. Mr. Wang Xuning currently serves as the Chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

3. to preliminarily examine the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Remuneration Committee

The Remuneration Committee of the Company consists of one executive Director, namely Ms. Han Run, and two independent non-executive Directors, namely Mr. Timothy Roberts Warner and Mr. Yang Xianxiang. Mr. Timothy Roberts Warner currently serves as the Chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, our Board has adopted a diversity policy which sets forth the objective and the approach to achieve and maintain an appropriate balance of diversity of perspectives of our Board. Pursuant to the diversity policy of our Board, selection of Directors will be based on a number of factors, including but not limited to, gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The final decision of the appointment will be based on the merit and contribution that the selected candidate may bring to our Board.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For details of the service contracts and appointment letters that we have entered into with our Directors, see "Appendix IV—Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors' service contracts and appointment letters."

The aggregate amount of fees, salaries, allowances, performance-related bonuses, share award expense, pension scheme contributions and benefits in kind we paid to our Directors in respect of the financial years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 were US$1,251,000, US$1,284,000, US$1,607,000 and US$926,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in "Appendix I—Accountants' Report."

Under the arrangements currently in force, the aggregate amount of remuneration payable to, and benefits in kind received by our Directors by our Group for the financial year ending December 31, 2019 is expected to be approximately US$1,864,000.

The five highest paid individuals in our Group for the financial years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 included three, two, nil and nil Director(s), respectively, whose remuneration is included in the aggregate amount of fees, salaries, allowances, performance-related bonuses, share award expense, pension scheme contributions and benefits in kind we paid to the relevant Director(s) as set out above. For the financial years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the aggregate amount of salaries, allowances and benefits in kind, performance-related bonuses, share award expenses, and pension scheme contributions paid to the remaining two, three, five and five individuals were US$518,000, US$2,014,000, US$8,453,000 and US$4,340,000, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in "Appendix I—Accountants' Report."

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

RSU PLAN

In order to recognize and reward our management and employees for their contribution to our Group, to attract best available personnel to provide service to our Group, and to provide additional incentives to them to remain with and further promote the success of our Group's business, our Company adopted the RSU Plan on October 9, 2019. See "Appendix IV—Statutory and General Information—D. RSU Plan."

CORPORATE GOVERNANCE

Our Company intends to comply with all code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 14 to the Listing Rules (the "**Code**") after the Listing except for paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Also as informed and recommended by the Code, an issuer could adopt a more suitable alternative to a code provision, so long as reasons for such deviation are given.

The roles of Chairman and Chief Executive Officer of our Company are both performed by Mr. Wang Xuning. Mr. Wang is responsible for formulating the overall business strategies and conducting general management of our Group. He is the key person contributive to the development and business expansion of Joyoung since the invention of the soymilk maker in 1990s as mentioned in the section headed "Business." Also, ever since the SharkNinja Acquisition, being the chairman of Joyoung and Global Chief Executive Officer of Compass, he has acted as the main point of communication between the corporate operation of Joyoung and SharkNinja. Regarding the rapidly evolving small household appliance industry in which our Group operates, our Chairman and Chief Executive Officer needs to have a profound understanding and be equipped with extensive industry knowledge to stay abreast of market changes, so as to facilitate our business development. After taking into consideration the aforesaid factors, we consider that vesting the roles of our Chairman and Chief Executive Officer in the same person, being Mr. Wang, is beneficial to our business prospects and operational coordination between Joyoung and SharkNinja.

The balance of power and authority is ensured by the composition and operation of our Board. Our Board currently comprises three executive Directors (including Mr. Wang), two non-executive Directors and three independent non-executive Directors, and therefore the overall strategic and other key business policies of our Group are made collectively by our eight Directors after thorough discussion at our Board. The Board encourages all Directors to attend Board meetings and meetings of relevant Board committees, at which (i) the Chairman of the Board and the Chairmen of relevant Board committees will make sure that all Directors are informed of, and given sufficient time to discuss, all matters proposed at the meetings; and (ii) the senior management will provide adequate, accurate, clear, complete and reliable data and information to the Board members in a timely manner. Therefore, the Board believes that our balance of power and authority has been well guaranteed considering the above factors, and does not propose to separate the functions of our Chairman and Chief Executive Officer.

The Board will also continue to review the effectiveness of the corporate governance structure of our Group in order to assess the reasonableness and necessity of the roles of the Chairman and the Chief Executive Officer being vested in the same person.

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our compliance adviser (the "Compliance Adviser") pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the date of the Listing of our Shares on the Stock Exchange and ending on the date on which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the date of the Listing, or the date on which the agreement between the Compliance adviser and us is terminated, whichever is earlier.

The Compliance Adviser shall provide the Company with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines.

The Company agrees to indemnify the Compliance Adviser for actions against and losses incurred by the Compliance Adviser arising out of, or in connection with, certain events, including the performance by the Compliance Adviser of its duties under the agreement between the Compliance Adviser and us.

The Compliance Adviser will act as the additional channel of communication between the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

		Shares held as of the date of this prospectus		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full)	
Name of shareholder	Nature of interest	Number	Percentage	Number	Percentage	Number	Percentage
JS Holding	Beneficial interest	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Hezhou[1]	Interest in controlled corporations	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Tong Zhou[1]	Interest in controlled corporations	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Jin Cheng[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Mr. Zhu Hongtao[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Fortune Spring[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Mr. Zhu Zechun[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Tuo Ge[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Ms. Yang Ningning[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Yuan Jiu[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Ms. Huang Shuling[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Xi Yu[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Ms. Han Run[2][7]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
	Beneficial owner	11,329,472	0.40%	11,329,472	0.34%	11,329,472	0.33%
Jin Yu[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Mr. Jiang Guangyong[2]	Interest held jointly with other persons	1,603,578,331	56.62%	1,603,578,331	48.12%	1,603,578,331	47.06%
Sol SPC[3]	Beneficial interest	368,304,245	13.00%	368,304,245	11.05%	368,304,245	10.81%
STL[3]	Interest in controlled corporations	368,304,245	13.00%	368,304,245	11.05%	368,304,245	10.81%
Mr. Lee Puay Khng[3]	Interest in controlled corporations	368,304,245	13.00%	368,304,245	11.05%	368,304,245	10.81%
XNL[1][2][3][4]	Interest in controlled corporations, interest held jointly with other persons	1,971,882,576	69.62%	1,971,882,576	59.17%	1,971,882,576	57.87%
Mr. Wang Xuning[1][2][3][4][8]	Interest in controlled corporations, interest held jointly with other persons	1,971,882,576	69.62%	1,971,882,576	59.17%	1,971,882,576	57.87%
	Beneficial owner	45,317,890	1.60%	45,317,890	1.36%	45,317,890	1.33%
Easy Home[5]	Beneficial interest	296,004,139	10.45%	296,004,139	8.88%	296,004,139	8.69%
Comfort Home[5]	Beneficial interest	65,556,166	2.31%	65,556,166	1.97%	65,556,166	1.92%
CDH Fund V, L.P.[5]	Interest in controlled corporations	361,560,305	12.76%	361,560,305	10.85%	361,560,305	10.61%
CDH V Holdings Company Limited	Interest in controlled corporations	361,560,305	12.76%	361,560,305	10.85%	361,560,305	10.61%
MR Investor[6]	Beneficial interest	209,014,116	7.38%	209,014,116	6.27%	209,014,116	6.13%
MR Trust Investor[6]	Beneficial interest	65,556,166	2.31%	65,556,166	1.97%	65,556,166	1.92%
Mr. Mark Rosenzweig[6]	Interest in controlled corporations, Family interest	274,570,282	9.69%	274,570,282	8.24%	274,570,282	8.05%

(1) As of the date of this prospectus, JS Holding directly held 1,603,578,331 Shares in our Company. Hezhou is the general partner exercising operational control over JS Holding, meanwhile Tong Zhou is the limited partner of JS Holding established by the Controlling Shareholders Group through its investment entities with almost 100% of partnership interest. In addition, Hezhou is a wholly-owned subsidiary of XNL which is wholly owned by Mr. Wang Xuning. Therefore, each of Hezhou, Tong Zhou, XNL and Mr. Wang Xuning is deemed to be interested in the 1,603,578,331 Shares held by JS Holding for the purpose of Part XV of the SFO.

(2) As of the date of this prospectus, XNL was wholly owned by Mr. Wang Xuning, Jin Cheng was wholly owned by Mr. Zhu Hongtao, Fortune Spring was wholly owned by Mr. Zhu Zechun, Tuo Ge was wholly owned by Ms. Yang Ningning, Yuan Jiu was wholly owned by Ms. Huang Shuling, Xi Yu was wholly owned by Ms. Han Run, and Jin Yu was wholly owned by Mr. Jiang Guangyong. Mr. Wang Xuning, Mr. Zhu Hongtao, Mr. Zhu Zechun, Ms. Yang Ningning, Ms. Huang Shuling, Ms. Han Run and Mr. Jiang Guangyong, respectively through XNL, Jin Cheng, Fortune Spring, Tuo Ge, Yuan Jiu, Xi Yu and Jin Yu commonly hold their interest in our Company through JS Holding and formed the Controlling Shareholders Group. As such, each of Mr. Wang Xuning, Mr. Zhu Hongtao, Mr. Zhu Zechun, Ms. Yang Ningning, Ms. Huang Shuling, Ms. Han Run and Mr. Jiang Guangyong is deemed to be interested in the Shares held by other members of the Controlling Shareholders Group, and each of the Controlling Shareholders Group is deemed to be interested in the 1,603,578,331 Shares held by Hezhou Limited Partnership for the purpose of Part XV of the SFO.

(3) As of the date of this prospectus, Sol SPC directly held 368,304,245 Shares in our Company. Mr. Lee Puay Khng held 368,304.24536 class A participating shares in Sol SPC, while STL, which is wholly owned by XNL, which is in turn wholly owned by Mr. Wang Xuning, held 100 management shares with the right to receive notice of, attend at and vote at general meeting of Sol SPC. Therefore, each of Mr. Lee Puay Khng, STL, XNL and Mr. Wang Xuning are deemed to be interested in the 368,304,245 Shares held by Sol SPC for the purpose of Part XV of the SFO. As of the date of this prospectus, Sol SPC pledged approximately 1.9% of the total issued Shares of the Company in favor of OCI Capital Limited, an Independent Third Party, as the security for a two year 10.5 per cent. notes ("OCI Notes") of up to US$18 million issued by Sol SPC to OCI Capital Limited. According to the OCI Notes, (1) the pledge will be released upon completion of the Global Offering; and (2) after expiry of the Lock-up Period, Sol SPC is required to re-pledge such amount of Shares with a total value equals to approximately three times the total principal amount of the OCI Notes. As of the date of this prospectus, Sol SPC pledged approximately 6.9% of the total issued Shares of the Company in favor of certain Independent Third Parties as the security for several loan facilities with a total principal amount of US$65 million entered into between Sol SPC and such Independent Third Parties. According to the loan facilities, (1) the pledge will be released upon completion of the Global Offering; and (2) after expiry of the Lock-up Period, Sol SPC is required to re-pledge such amount of Shares with a total value equals to approximately three times the total principal amount of the loan facilities.

(4) Each of XNL and Mr. Wang Xuning is deemed to be interested in the 1,971,882,576 Shares held by both JS Holding and Sol SPC. See note (2) and note (3) above.

(5) As of the date of this prospectus, Easy Home and Comfort Home directly held 296,004,139 and 65,556,166 Shares in our Company, respectively. Each of Easy Home and Comfort Home is a wholly-owned subsidiary of CDH Fund V, L.P. whose general partner is CDH V Holdings Company Limited which focuses on private equity investments. Therefore, each of CDH Fund V, L.P. and CDH V Holdings Limited are deemed to be interested in the 296,004,139 and 65,556,166 Shares held by Easy Home and Comfort Home, for the purpose of Part XV of the SFO.

(6) As of the date of this prospectus, MR Investor directly held 209,014,116 Shares in our Company. MR Investor was wholly owned by Mr. Mark Rosenzweig. Therefore, Mr. Mark Rosenzweig is deemed to be interested in the 209,014,116 Shares held by MR Investor for the purpose of Part XV of the SFO. As of the date of this prospectus, MR Trust Investor directly held 65,556,166 Shares in our Company, which were held for the benefits of the family interest of Mr. Mark Rosenzweig. Therefore, Mr. Mark Rosenzweig is deemed to be interested in the 65,556,166 Shares held by MR Trust Investor for the purpose of Part XV of the SFO.

(7) Ms. Han Run is interested in 11,329,472 restricted stock units granted to her under the RSU Plan entitling her to receive up to 11,329,472 Shares subject to vesting.

(8) Mr. Wang Xuning is interested in 45,317,890 restricted stock units granted to him under the RSU Plan entitling him to receive up to 45,317,890 Shares subject to vesting.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	Aggregate nominal value of Shares (US$)
As of the Date of this Prospectus	
Authorized share capital	
5,000,000,000 shares of US$0.00001 each	50,000
Issued share capital	
2,832,368,177 shares of US$0.00001 each	28,323.68
Immediately after completion of the Global Offering	
Authorized Share capital	
5,000,000,000 shares of US$0.00001 each	50,000
Issued Share capital	
2,832,368,177 shares of US$0.00001 each	28,323.68
Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised)	
499,830,000 shares of US$0.00001 each	4,998.3
Total issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
3,332,198,177 shares of US$0.00001 each	33,321.98

ASSUMPTIONS

The above table assume that: (i) the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised. The above table also does not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may be subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See "Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company—2. Articles of Association."

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "—General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Appendix IV—Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—4. Resolutions of the Shareholders of Our Company dated October 9, 2019."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix IV—Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—4. Resolutions of the Shareholders of Our Company dated October 9, 2019."

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See "Appendix IV—Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—4. Resolutions of the Shareholders of Our Company dated October 9, 2019."

RSU PLAN

We adopted the RSU Plan on October 9, 2019. See "Appendix IV—Statutory and General Information—D. RSU Plan" for further information.

You should read this section in conjunction with our consolidated financial information, including the accompanying notes thereto, as set out in "Appendix I—Accountants' Report." Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

Our business expanded significantly following our acquisition of SharkNinja on September 29, 2017. As a result, our results of operations in the subsequent periods are not directly comparable with those in the previous periods.

To comply with the applicable regulations and disclosure requirements, as well as to present material information necessary to assess the impact of the acquisition of SharkNinja, this prospectus contains pre-acquisition financial statements of SharkNinja for the fiscal years ended March 31, 2016 and 2017 and the period from April 1, 2017 to September 28, 2017, which have been audited by Ernst & Young and are disclosed in Section III of the notes to the Accountants' Report in Appendix I to this prospectus.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business."

OVERVIEW

We are a global leader in high-quality, innovative small household appliances. Our success is centered around our deep understanding of consumer needs, and is built on our strong product innovation and design capability powered by a global research and development platform, marketing strengths driving high brand engagement, and an omni-channel distribution coverage with high penetration. We continuously develop new products and expand into new categories. Through our diverse product portfolio, we cultivate markets, create consumer demand, lead our categories by building up market anticipation around product launches, and reshape consumer behaviors and lifestyles around the world. With our trusted market-leading brands, Joyoung, Shark and Ninja, we continue to maintain our leadership in China and the United States, the two largest small household appliance markets, and to focus on expanding globally in new markets.

Through our global research and development platform, we have introduced transformational innovative design-driven products to the markets, ranging from revolutionary products that are original or market-first, to evolutionary products that are market-disruptive, to upgraded products with improved functionalities and designs.

Our business processes, from research and development, procurement and production to sales and marketing, are fully integrated and responsive to consumer needs. We focus on our three core competencies: (i) developing transformational innovative products with appealing designs, (ii) effecting multi-form brand marketing and (iii) building a global omni-channel sales network. They

are supported by our operational infrastructure, including global research and development platform, centralized supply chain with a global reach and our comprehensive information management system across the entire value chain.

We offered our transformational innovative small household appliances under the brand name of Joyoung prior to the acquisition of SharkNinja in September 2017 and have expanded our business significantly since then. We operated three business segments during the Track Record Period:

Joyoung segment continues offering small household appliances, focusing on kitchen appliances. In China, our Joyoung brand maintains the largest market share in several innovative product categories. For example, according to the Frost & Sullivan Report, the market share of our soymilk makers was 80.6%, that of our blenders was 36.6% and that of our food processors was 36.8%, each in terms of retail sales value in 2018.

SharkNinja segment focuses on home environment appliances and kitchen appliances. In North America, Shark and Ninja brands maintain leading market share in a number of product categories through an intense focus on quality, reliability, consumer satisfaction and accessible innovation to consumers. According to the Frost & Sullivan Report, the market share in the United States of our Shark brand in the vacuum market was 36.4% in 2018, and that of our Ninja brand in the blenders market was 30.2% in the same year.

Others segment represents Jiuyang Bean's business of selling soymilk powder and commercial soymilk makers. We ceased to have this segment since November 2018, following the deconsolidation of Jiuyang Bean. See "—Description of Major Components of Consolidated Income Statement—Revenue—Others Segment."

Our revenue increased from US$1,103.0 million in 2016 to US$1,563.4 million in 2017, and increased further to US$2,681.9 million in 2018, representing a CAGR of 55.9%. It increased by 7.1% from US$1,153.9 million for the six months ended June 30, 2018 to US$1,235.8 million for the same period in 2019. Our gross profit increased from US$351.4 million in 2016 to US$519.1 million in 2017, and increased further to US$999.0 million in 2018, representing a CAGR of 68.6%. It increased by 8.6% from US$425.4 million for the six months ended June 30, 2018 to US$462.1 million for the same period in 2019. Our net profit was US$122.4 million, US$140.9 million, US$112.1 million, US$20.6 million and US$21.9 million in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively.

OUR ACQUISITION OF SHARKNINJA

We completed the acquisition of SharkNinja on September 29, 2017, and its results of operations have been consolidated in our financial statements since then. Our statement of profit and loss for the year ended December 31, 2017 reflects the results of SharkNinja from September 29, 2017 to December 31, 2017.

Prior to the acquisition, SharkNinja's revenue was US$1,438.4 million, US$1,354.8 million and US$588.5 million for its fiscal years ended March 31, 2016 and 2017 and the period from April 1, 2017 to September 28, 2017, respectively. For the same periods, its gross profit was US$594.1 million, US$576.7 million and US$241.8 million, respectively. The consolidated financial statements and the accompanying notes of SharkNinja prior to the acquisition are set forth in Section III of the notes to the Accountants' Report in Appendix I to this prospectus.

For more information regarding the acquisition, see "History, Reorganization and Corporate Structure—Major Acquisition" and note 36 to the Accountants' Report in Appendix I to this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial performance are principally affected by the following factors:

Our ability to continuously offer innovative products and maintain our leadership in a competitive industry

We operate in highly competitive markets characterized by, among other things, frequent introduction of new products, short product life cycles, rapid adoption of technological and product advancements. Capitalizing on our relentless efforts in studying consumers' preferences and behaviors and the insight gained therefrom, we have been continuously focusing on developing innovative products which address their needs and pain points. For example, we have successfully launched our blockbuster products such as robotic vacuums, cordless stick vacuums, Foodi and high-performance multifunctional blenders, which reflect our deep understanding of customers and the market. In 2018, New Products contributed approximately 22.4% to our total revenue. It is essential for us to continue doing so in a timely manner in order for us to maintain and strengthen our market position. Our ability to continuously launch innovative products that are well received by the market and our customers could increase our sales volume and market share, as well as increase our economies of scale.

Our ability to capture the market opportunities of consumption upgrade and enhance our results of operations

Our results of operations are affected by, among other things, the combined effect of sales volume, selling prices and mix of our products. As a general matter, our sales volume is affected by a number of factors, including general market conditions, product innovation, consumer behaviors and access to consumers. In established markets, such as the United States, sales volume is primarily driven by product replacements and upgrades. Our ability to increase sales volume in these markets is particularly dependent on the introduction of, and attracting customer demand for, innovative products. In emerging markets such as China, where sales volume is to a larger extent driven by introduction of new product lines and penetration, our success is largely dependent on expansion of our distribution network to broaden our access to consumers and on introduction of new products to cultivate and generate consumer demand.

The recent consumption upgrade generally features consumers' strong desire for better product functionalities, design and qualities as well as better experiences, and consumers' willingness to pay more for them. To embrace this trend and to attract customers with stronger purchasing power, we have developed and launched innovative products with revolutionary or evolutionary functionalities, which generally commanded premium pricing during the Track Record Period. At the same time, for the consumers with more focus on value for money, we continue to launch products that meet their needs and maintain our market share in this market, which generates reoccurring revenue and stable profit. At times, we may launch various promotion activities which may affect our selling prices.

Our results of operations are further dependent on our ability to achieve a favorable product mix. To this end, we maintain an extensive product portfolio with a wide range of pricing and margin

levels catering to the diverse needs of consumers with different purchasing power and preferences, which helps to maintain our overall profit margin.

Brand recognition and commercialization capabilities

In line with the consumption upgrade in China and elsewhere in the world, consumers are more sensitive and exposed to brands. Acknowledging that brand recognition plays an increasingly important role in consumers' purchasing decisions, we continue to enhance our brand recognition in the market. We are a global leader in high-quality, innovative small household appliances, with our successful and renowned brands worldwide of Joyoung, Shark and Ninja. Our strong commercialization capabilities reinforce our established brand image. We believe that our strong brand names, product quality and strong commercialization capabilities have enabled us to build a high degree of confidence and brand loyalty among our consumers in our products, which generally enable us to continuously introduce new products and have a strong pricing power on new product rollouts and upgrades. To improve brand recognition, we have invested and will continue to invest in marketing and advertising programs.

Our ability to expand and manage our omni-channel network

We have established differentiated channel strategies and robust omni-channel sales and distribution networks that are tailored to the respective local markets, involving extensive online and offline sales and distribution resources. Consolidation and optimization of our omni channels may temporarily affect our sales performance and revenue. In addition, as we pursue a global expansion strategy to extend our business into other international markets, we may not implement our sales and marketing strategies and utilize our omni-channel sales, marketing and distribution networks as well as we do in our existing markets, and our financial performance may be affected as a result.

Prices and stable supplies of raw materials, components and finished products

We primarily rely on OEM suppliers to provide finished products and, to a much lesser extent, procure certain raw materials and components for in-house manufacturing. Our ability to purchase parts and components and finished products from our suppliers at commercially reasonable prices affects our profitability. Our major raw materials include copper, cold-strip steel, 304 stainless steel and ABS polymer. In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, procurement costs to our OEM suppliers and for procurement of components and raw materials amounted to US$743.5 million, US$1,013.2 million, US$1,587.1 million, US$690.6 million and US$722.7 million, respectively, accounting for 98.9%, 97.0%, 94.3%, 94.8% and 93.4% of our total cost of sales, respectively. During the Track Record Period, price fluctuations in our major raw materials, components and finished products did not have a material impact on our gross profit margins. Significant price fluctuations in our major raw materials, components and finished products may affect our financial results if we are unable to pass along the increased purchase costs to our customers at the time and in the manner we expect.

Our cost of sales had also been impacted by fluctuations in foreign currency exchange rates as a result of our global operations. The recent tension between China and the United States over trade may intensify the fluctuations in US dollars and Renminbi, which may adversely affect our profitability.

Synergies among our PRC, the US and international operations

Our acquisition of SharkNinja has delivered and is expected to continue delivering synergies among our PRC, the US and international operations across product development, marketing and operations, spanning through our entire value chain including R&D collaboration, market expansion and supply chain purchasing scale.

During the Track Record Period, our international design, research and development teams have collaborated on the development of a number of products within a short period of time, and have successfully commercialized those products in China and the United States. Our synergetic sales network and omni-channel marketing strategies greatly facilitate our sales and marketing efforts in introducing our products to the global markets and enhance our revenue generating power. As our global business advances, we expect to continue to lower supply chain cost and increase overall operational efficiency, which we expect to positively affect our sales and profitability.

Seasonality

Our results of operations are subject to seasonality, primarily due to holidays and shopping seasons. We typically experience sales peaks in the fourth quarter of a year with higher concentration of holidays such as Christmas and New Year and shopping events such as Double Eleven and Black Friday. Particularly, we usually see increased sales in cooking appliances close to holiday seasons. Accordingly, our results of operations fluctuate over the year, and our interim results may not be indicative of our annual results.

Currency fluctuation

Our financial information is presented in US dollars. In connection with the preparation of our financial information, the results of operations of subsidiaries, which are initially prepared in their respective local functional currencies, such as the Renminbi and GBP, are translated into US dollars. Fluctuations in the value of exchange rates impact our consolidated other comprehensive income and, depending on the magnitude of these fluctuations, could obscure underlying trends that would have been apparent if consolidated financial statements had been prepared on a constant currency basis. For example, the results of operations of Joyoung segment for the six months ended June 30, 2019 compared to those for the same period in 2018 were generally adversely affected by the significant depreciation of the Renminbi against the US dollar for the same periods. We used the exchange rates of RMB6.3740 to US$1.00 and RMB6.7668 to US$1.00, which represented a decrease of approximately 6.2%, for the six months ended June 30, 2018 and 2019, respectively, in preparation of our audited financial statements for the six months ended June 30, 2019.

In our consolidated statements of comprehensive income, we recognized exchange losses on translation of foreign operations of US$44.7 million and US$37.1 million in 2016 and 2018, respectively, compared with exchange gains on translation of foreign operations of US$43.0 million and US$1.8 million in 2017 and the six months ended June 30, 2019, respectively. Such exchange differences were recorded as our other comprehensive income during the Track Record Period. Also see "Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks associated with foreign exchange rate fluctuations."

Customs duties

We source our finished goods from OEM suppliers in China for our US sales, which are subject to the US customs duties. As a result of the ongoing trade negotiations between China and the United States, our products imported from China to the US market have been subject to additional US customs duties as announced and implemented by the USTR and the President of the United States from time to time. This may affect our cost of sales and, consequently, our profitability.

Up to the date of this prospectus, our Company has not received any indication from our US customers that they may reduce their purchase volumes due to the imposition of the additional customs duties. There is no assurance that we may not experience reduced purchases from our customers and that our sales and profitability will not be impacted by the increase of customs duties. See "Summary—US Customs Duties" and "Risk Factors—Risks Relating to Our Business and Industry—Any trade or import protection policies may materially and adversely affect our business." In 2018 and the six months ended June 30, 2019, our customs duties expenses arising out of the additional US customs duties amounted to US$7.0 million and US$10.1 million, respectively. For illustrative purpose only, had the additional US customs duties of 25% been imposed since January 1, 2018, with other variables held constant, our customs duties expenses in 2018 would have increased by US$108.1 million for vacuums and air fryers. In addition, had the additional US customs duties of 15% been imposed since January 1, 2018, with other variables held constant, our customs duties expenses in 2018 would have increased by US$32.2 million for coffee makers and other products expected to be subject to the additional US customs duties of 15%.

We have mitigated and plan to continue mitigating the impacts arising from the increased customs duties on our cost of sales by a combination of (i) fully or partially passing on the increased cost to customers by increasing the selling price of certain products across our product portfolio in the US market, (ii) renegotiating the purchase prices of finished products, components and raw materials with our suppliers, (iii) value engineering through utilizing less expensive components or designs that can satisfy the products' long-term reliability and functions and (iv) expanding our manufacturing resources to potentially other countries. For example, among all measures to mitigate the impacts arising from the increased customs duties, we have renegotiated the purchase prices of finished products with our OEM suppliers. The depreciation of the Renminbi against the US dollar since the imposition of additional US customs duties on products imported from China to the United States generally gives us a strong position in the renegotiation of purchase prices favorable to us with OEM suppliers, given that we pay our OEM suppliers in US dollars for such imports. Based on the above, as of the Latest Practicable Date, our Directors did not believe that the increased customs duties expenses will have a material adverse impact on our financial results.

BASIS OF PRESENTATION

Our Controlling Shareholders owned and controlled the companies now comprising our Group immediately before the Reorganization and continue to own and control these companies after the Reorganization. Our financial information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated balance sheets, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of our Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, since their respective dates of incorporation/establishment, or

since the date when the companies first came under the control of our Controlling Shareholders, whichever is the shorter period, in a manner similar to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial information requires us to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future. We have identified below the accounting policies that we believe are the most critical to our consolidated financial information and that involve the most significant estimates.

Early adoption of IFRS 9

For the purpose of the preparation of our financial information for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we have adopted IFRS 9 "Financial Instruments" since January 1, 2016. The impacts on the financial information upon the adoption of IFRS 9 are considered material due to classification and measurement as explained in detail below:

Available-for-sale investment under IAS 39 were classified to financial assets at fair value through profit or loss and financial assets designated at fair value through other comprehensive income under IFRS 9. Accordingly, unquoted equity investments stated as cost less impairment loss under IAS 39 are stated with fair value under IFRS 9. The investments were measured at fair value through profit or loss at the end of each reporting period, with a corresponding gain on change in fair value of US$17,948,000, US$5,675,000, US$742,000 and US$5,988,000, respectively, credited to other income and gains in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. The equity investments were irrevocably designated at fair value through other comprehensive income at the end of each reporting period as our Group considers these investments to be strategic in nature. The fair value changes in these investments resulted in a loss (net of tax) amounting to US$6,446,000 in 2016, a gain (net of tax) amounting to US$4,759,000 and US$4,287,000 in 2017 and 2018, and nil in the six months ended June 30, 2019, respectively, as recorded in other comprehensive income.

Early adoption of IFRS 15

For the purpose of preparation of our financial information for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we have adopted IFRS 15 "Revenue from Contracts with Customers" since January 1, 2016. Except for changes in certain reporting items caused by reclassification, there is no material impact on our financial information due to the adoption of IFRS 15.

Early adoption of IFRS 16

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of

Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact on leases where our Group is the lessor.

We adopted IFRS 16 using the full retrospective method since the beginning of the Track Record Period. We elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. We also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value. Based on the historical financial information, our management believes that the adoption of IFRS 16 has a significant impact on the absolute amount of the total assets and total liabilities, but does not have a significant impact on our financial position and performance compared to those prepared under IAS 17.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Some contracts for the sale of products provide customers with rights of return and sales rebate. We provide extended warranties which are accounted for as service-type warranties. The rights of return, sales rebates give rise to variable consideration. Consideration payable to a customer also

includes credit that can be applied against amounts owed to us. We account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service.

Variable consideration

(a) Rights of return

For contracts which provide a customer with a right to return the goods, either the expected value method or the most likely amount method is used to estimate the goods for different contracts that will not be returned. The selected method best predicts the amount of variable consideration to which we will be entitled for different contracts and customers. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(b) Sales rebates

Various types of sales rebates may be provided to different customers. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used. Because this method best predicts the amount of variable consideration in the contract, given the large number of customer contracts that have similar characteristics. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

Consideration payable to a customer

We account for consideration payable to a customer as a reduction of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to us. If the consideration payable to a customer includes a variable amount, we estimate the transaction price, including assessing whether the estimate of variable consideration is constrained. To estimate the variable consideration, the most likely amount method is used, as this method best predicts the amount of variable consideration, given the large number of customer contracts that have similar characteristics.

Extended warranty

We generally provide warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties. However, in certain contracts, we provide extended warranties. Such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which we recognize contract liabilities for the unfulfilled extended warranties by allocating a portion of the transaction price based on the relative stand-alone selling price. Revenue are subsequently recognized over time based on the time elapsed.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the

financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognized on a time proportion basis over the lease terms.

Dividends income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividends will flow to us and the amount of the dividends can be measured reliably.

Investments in associates

An associate is an entity in which we have a long-term interest of generally not less than 20% of the equity voting rights and over which we are in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Our investments in associates are stated in the consolidated statements of financial position at our share of net assets under the equity method of accounting, less any impairment losses.

Our share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and consolidated statements of comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, we recognize our share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between our associates and us are eliminated to the extent of our investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of our investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, we measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

Business combination and goodwill

We apply the acquisition method to account for business combinations. The consideration transferred is measured at the acquisition date fair value, which is the sum of the acquisition date fair values of assets that we transfer, liabilities that we assume from the former owners of the acquiree and the equity interests that we issue in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration, classified as an asset or liability, is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, which is the excess of the aggregate of (1) the consideration transferred, (2) the amount recognized for non-controlling interests and (3) any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss as a gain on a bargain purchase after reassessment.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform the annual impairment test of goodwill as of December 31 of each year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Fair value measurement

During the Track Record Period, we measured our financial assets at fair value through profit or loss, financial assets designated at fair value through other comprehensive income and financial liabilities associated with put option. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. We use valuation methodologies that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

We have financial assets including equity investments and financial products issued by banks in China during the Track Record Period as set out in note 20 to the Accountants' Report in Appendix I to this prospectus. We irrevocably designated some equity investments as financial assets at fair value through other comprehensive income as these investments are considered to be strategic in nature, and other equity investments held for trading are financial products classified to financial assets at fair value through profit or loss, for which no quoted prices in an active market exist. The fair value is established by using valuation methodologies which are mainly the discounted cash flows method and valuation methodologies for financial assets that are certified by an independent and recognized business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. The fair values of the financial assets are set out in note 20 to the Accountants' Report in Appendix I to this prospectus.

In relation to the valuation of the financial assets, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of investment agreements; (ii) obtained the necessary financial and non-financial information from investees and assessed its reasonableness; (iii) engaged an independent business valuer and provided the necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed relevant assumptions with the valuer; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the procedures set forth above, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial assets, the valuation methodologies and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements, are disclosed in note 44 to the Accountants' Report in Appendix I to this prospectus. The reporting accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

In relation to the valuation analysis performed by the valuers on financial assets classified as level 3 of fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including, but not limited to: (i) review of the relevant notes in the Accountants' Report in Appendix I to this prospectus and relevant documents provided by the valuers; and (ii) discussion with the Company, the reporting accountants and the valuers about the key basis and assumptions for the valuation of financial assets. Having considered the work done by the Directors and reporting accountants and the relevant due diligence work done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuers on the financial assets classified as level 3 of fair value measurement.

Financial liabilities associated with the put option

For the acquisition of SharkNinja, Compass, one of our subsidiaries, granted a right (the "Put Option") to its non-controlling shareholder, under which such non-controlling shareholder was entitled to require Compass to repurchase all or a portion of Compass's own shares beneficially owned by such non-controlling shareholders at an agreed price within an agreed period. The Put Option was terminated upon the completion of the restructuring of Compass and replaced by the Put Right. See "History, Reorganization and Corporate Structure—Shareholders' Right." As such, there was no

additional charge involved in the termination of the Put Option. Put options are financial instruments that we grant whereby counterparties may have the rights to request us to purchase their own equity interests or other financial assets when certain conditions are met. If we do not have the unconditional right to avoid delivering cash or other financial assets under the put option, we have to recognize a financial liability at the present value of the estimated future cash outflows under the put option. Subsequently, if we revise our estimates of payments, we then adjust the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. During the Track Record Period, we recalculate the carrying amount by computing the present value of the revised estimated future cash outflows at the financial instrument's original effective interest rate and adjustment to its carrying amount is to be recognized as income or expenses in profit or loss. If the put option expires without being exercised, the carrying amount of the liability will be reclassified as equity.

Intangible assets (other than goodwill)

Our intangible assets during the Track Record Period include trademarks, patents, retailer relationships, capitalized development costs, software and leases.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life of 2.5 to 12.5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Particularly, all research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (2) our intention to complete and our ability to use or sell the asset, (3) how the asset will generate future economic benefits, (4) the availability of resources to complete the project and (5) the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. During the Track Record Period, certain external consulting, prototype and legal expenditure incurred on projects to develop new core components of new product categories was capitalized. Deferred development costs are stated at cost less any impairment losses and are amortized on the straight-line basis from the date when they are available for use over their estimated useful lives of 10 years with reference to the historical life cycle of core components of a similar kind which can be utilized in several generations of products.

Impairment for goodwill and intangible assets with indefinite useful lives

Our goodwill and certain intangible assets are considered as having indefinite useful lives. For the purpose of impairment tests, the recoverable amount of the Compass cash-generating units is determined based on value-in-use calculations by using the discounted cash flow method. The key parameters applied in the calculation are revenue growth and discount rate.

Based on the result of the impairment test on the Compass cash-generating units, the estimated recoverable amount of Compass cash-generating units exceeded the carrying amount of the cash-generating units by US$179.5 million as of December 31, 2018.

We performed our annual impairment test as of December 31, 2018, which has taken into consideration the additional US customs duties at the rate of 25% announced but not yet effective in September 2018, and no impairment test was performed as of June 30, 2019 as no circumstance indicated that the carrying value may be impaired.

We have performed a sensitivity analysis on key assumptions used in the impairment test. Had the key assumptions been changed as below, the headroom would have been increased/(decreased) by:

	As of December 31, 2018
	(in US$ millions)
Five-year period growth rate increased by 5%	50.8
Five-year period growth rate decreased by 5%	(53.7)
Discount rate decreased by 5%	136.3
Discount rate increased by 5%	(124.0)

Based on the sensitivity analysis above, we believe that a reasonably possible change in key parameters would not cause the carrying amount of the Compass cash-generating units to exceed its recoverable amount as of December 31, 2018.

Impairment testing of capitalized development costs not yet available for use

We performed impairment testing of capitalized development costs not yet available for use annually and whenever there is an impairment indicator.

The recoverable amount of the capitalized development costs not yet available for use has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management as of December 31, 2018. The discount rate applied to the cash flow projections is 17.5%-20.5%.

Assumptions were used in the value-in-use calculation of the capitalized development costs not yet available for use. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of the capitalized development costs not yet available for use:

- Revenue growth—the bases used to determine the future earnings potential are historical sales and average expected growth rates of products with similar features and life cycle in the markets.
- Budgeted gross margins—the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved by products with similar features and life cycle in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.
- Discount rate—the discount rate used is before tax and reflects specific risks relating to assets.
- Expenses—the expenses reflect past experience and management's commitment to maintain the operating expenses at an acceptable level.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment testing, the estimated recoverable amount of the capitalized development costs not yet available for use exceeded the carrying amount by US$15,953,000 as of December 31, 2018.

Sensitivity to changes in assumptions

We have performed a sensitivity analysis on key assumptions used in the impairment testing. Had the estimated key assumption, discount rate been increased by 0.5%, from 17.5%-20.5% to 18.0%-21.0%, the headroom would have been decreased by US$368,000.

With regards to the assessment of the value in use of the capitalized development costs not yet available for use, our management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the capitalized development costs not yet available for use to exceed the recoverable amount.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

DESCRIPTION OF MAJOR COMPONENTS OF CONSOLIDATED INCOME STATEMENT

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
REVENUE	**1,103.0**	**1,563.4**	**2,681.9**	**1,153.9**	**1,235.8**
Cost of sales	(751.6)	(1,044.3)	(1,682.9)	(728.5)	(773.7)
Gross profit	**351.4**	**519.1**	**999.0**	**425.4**	**462.1**
Other income and gains	41.1	22.9	44.5	17.2	12.3
Selling and distribution expenses	(161.1)	(263.7)	(477.6)	(213.3)	(203.5)
Administrative expenses	(80.5)	(136.0)	(317.6)	(149.5)	(179.1)
Impairment losses on financial assets	(1.4)	(2.6)	(4.1)	(4.2)	(1.3)
Other expenses	(3.4)	(22.8)	(31.3)	(18.0)	(17.6)
Finance costs	(1.4)	(18.2)	(78.3)	(36.8)	(44.0)
Share of profits and losses of associates	(2.5)	3.2	5.8	5.7	0.1
PROFIT BEFORE TAX	**142.2**	**101.9**	**140.4**	**26.5**	**29.0**
Income tax (expense)/credit	(19.8)	39.0	(28.3)	(5.9)	(7.1)
PROFIT FOR THE YEAR/PERIOD	**122.4**	**140.9**	**112.1**	**20.6**	**21.9**
Attributable to:					
Owners of the parent	51.9	48.2	34.9	(0.8)	2.4
Non-controlling interests	70.5	92.7	77.2[1]	21.4	19.5[2]
NON-IFRS MEASURES (unaudited):					
Adjusted net profit[3]	**101.9**	**139.6**	**151.1**	**37.3**	**58.0**
Attributable to:					
Owners of the parent	43.7	53.6	59.8	9.3	23.7
Non-controlling interests	58.2	86.0	91.3[4]	28.0	34.3[5]
EBITDA[6]	**155.5**	**148.3**	**304.0**	**101.9**	**115.3**
Adjusted EBITDA[7]	**135.0**	**197.0**	**312.1**	**104.0**	**136.9**

(1) Out of the profit for the year attributable to the non-controlling interests of US$77.2 million in 2018, US$35.5 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became shareholders of the Company, consisting of US$16.6 million and US$18.9 million relating to Compass's non-controlling interests and Bilting, respectively.

(2) Out of the net profit attributable to the non-controlling interests of US$19.5 million in the six months ended June 30, 2019, a loss of US$3.6 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became Shareholders of the Company, consisting of a loss of US$7.6 million and a profit of US$4.0 million relating to Compass's non-controlling interests and Bilting, respectively.

(3) We define adjusted net profit as profit for the year/period adjusted for certain items that do not affect our ongoing operating performance, including items arising from acquisition and relating to the Reorganization and non-recurring items and items not related to our ordinary course of business (each without considering tax effect). For a reconciliation of profit for the year/period to adjusted net profit as we define, see "—Non-IFRS Measures."

(4) Out of the adjusted net profit attributable to the non-controlling interests of US$91.3 million in 2018, US$59.9 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became Shareholders of the Company consisting of the US$45.9 million and US$14.0 million relating to Compass's non-controlling interests and Bilting respectively.

(5) Out of the adjusted net profit attributable to the non-controlling interests of US$34.3 million in the six months ended June 30, 2019, US$11.7 million in the aggregate was attributable to the then holders of the non-controlling interests who upon the completion of the relevant steps in the Reorganization became Shareholders of the Company, consisting of US$7.6 million and US$4.1 million relating to Compass's non-controlling interests and Bilting, respectively.

(6) We define EBITDA as profit before taxation plus finance costs, depreciation and amortization, less interest income. For a reconciliation of profit before tax for the year/period to EBITDA as we define, see "—Non-IFRS Measures."

(7) For a reconciliation of EBITDA for the year/period to adjusted EBITDA as we define, see "—Non-IFRS Measures."

Revenue

The following table sets forth the breakdown of our revenue by business segment for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Joyoung segment	1,080.3	97.9	1,053.5	67.4	1,179.0	44.0	563.1	48.8	572.3	46.3
SharkNinja segment	—	—	476.6	30.5	1,477.4	55.1	570.3	49.4	663.5	53.7
Others segment	22.7	2.1	33.3	2.1	25.5	0.9	20.5	1.8	—	—
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Joyoung segment represents our Joyoung business unit, which focuses on kitchen appliances in China. SharkNinja segment represents our SharkNinja business unit, which primarily operates in the United States and was acquired in September 2017. Others segment represented Jiuyang Bean business unit, which primarily sold soymilk powder and commercial soymilk makers. In November 2018, we disposed of a majority of our equity interest in Jiuyang Bean to a related party, ceased to consolidate it as a subsidiary and no longer have the others segment since then.

The following table sets forth the breakdown of our revenue by brand for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Joyoung	1,103.0	100.0	1,086.8	69.5	1,201.4	44.8	582.5	50.5	564.0	45.6
Shark	—	—	327.0	20.9	1,092.4	40.7	436.7	37.8	449.6	36.4
Ninja	—	—	149.6	9.6	388.1	14.5	134.7	11.7	222.2	18.0
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Prior to the acquisition of SharkNinja in September 2017, we primarily derived our revenue from sales of kitchen appliances under the Joyoung brand. As a result of the acquisition of SharkNinja, we have additionally generated revenue from sales of cleaning appliances and kitchen appliances under the Shark and Ninja brands.

The following table sets forth the breakdown of our revenue by geography for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
China	1,081.0	98.0	1,065.8	68.2	1,189.7	44.4	577.2	50.0	563.0	45.5
North America	7.5	0.7	447.4	28.6	1,310.5	48.9	506.8	43.9	551.8	44.7
Europe	4.8	0.4	36.4	2.3	132.1	4.9	55.5	4.8	91.9	7.4
Other markets	9.7	0.9	13.8	0.9	49.6	1.8	14.4	1.3	29.1	2.4
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Prior to the acquisition of SharkNinja, substantially all of our revenue was generated in China. With the acquisition of SharkNinja, we expanded our global markets in North America, Europe and other markets such as Japan and Australia. In the six months ended June 30, 2019, 54.5% of our revenue was from sales in the North American, the European and other markets in aggregate.

The following table sets forth the breakdown of our revenue by product category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Cleaning appliances	—	—	321.2	20.5	1,070.1	39.9	425.6	36.9	460.5	37.2
Food preparation appliances	456.0	41.3	580.6	37.1	785.0	29.3	358.2	31.0	347.4	28.1
Cooking appliances	547.7	49.7	539.1	34.5	677.0	25.2	289.1	25.1	359.1	29.1
Others	99.3	9.0	122.5	7.9	149.8	5.6	81.0	7.0	68.8	5.6
Total	**1,103.0**	**100.0**	**1,563.4**	**100.0**	**2,681.9**	**100.0**	**1,153.9**	**100.0**	**1,235.8**	**100.0**

Cleaning appliances include primarily upright vacuums, robotic vacuums, cordless and corded stick vacuums and other floor care products. Cleaning appliances constituted our largest product category in terms of revenue in 2018 and the six months ended June 30, 2019, contributing 39.9% and 37.2%, respectively, of our total revenue in the same periods. Food preparation appliances include primarily high-performance multifunctional blenders, soymilk makers, food processors and other small household appliances facilitating the food preparation process. Cooking appliances include primarily rice cookers, pressure cookers, induction cookers, Foodi, coffee and tea makers and other appliances for cooking. Others product category includes small household appliances ranging from water purifiers, ventilators and water heaters to garment care and thermos.

Our revenue increased by 41.7% from US$1,103.0 million in 2016 to US$1,563.4 million in 2017, and further increased by 71.5% to US$2,681.9 million in 2018. It increased by 7.1% from US$1,153.9 million for the six months ended June 30, 2018 to US$1,235.8 million for the same period in 2019. The increase of revenue in 2017 and 2018 was primarily due to the acquisition of SharkNinja. Had the acquisition taken place at the beginning of 2017, our revenue for the year from January 1, 2017 to December 31, 2017 would have been US$2,425.6 million.

Joyoung Segment

We sell products under the brand of Joyoung mainly through our online and offline distributors. There are two major product categories, namely food preparation appliances and cooking appliances. The following table sets forth the breakdown of our revenue from Joyoung segment by product category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Cooking appliances	547.7	50.7	507.1	48.1	567.8	48.2	272.7	48.5	253.5	44.2
Food preparation appliances	450.6	41.7	456.6	43.4	501.7	42.6	236.2	41.9	251.6	44.0
Cleaning appliances	—	—	—	—	2.9	0.2	1.0	0.2	7.8	1.4
Others	82.0	7.6	89.8	8.5	106.6	9.0	53.2	9.4	59.4	10.4
Total	**1,080.3**	**100.0**	**1,053.5**	**100.0**	**1,179.0**	**100.0**	**563.1**	**100.0**	**572.3**	**100.0**

Our financial information is presented in US dollars. The fluctuation in the value of the Renminbi, the functional currency of Joyoung segment, against the US dollar, our reporting currency, could obscure underlying trends that would have been apparent if consolidated financial statements had been prepared excluding the impact of currency exchange fluctuation. The results of operations of Joyoung segment for the six months ended June 30, 2019 compared to those for the same period in 2018 were generally adversely affected by the impact of the Renminbi's depreciation against the US dollar on the translation of financial statements from the functional currency of RMB to the reporting currency of USD. We used the exchange rates of RMB6.3740 to US$1.00 and RMB6.7668 to US$1.00, which represented a decrease of approximately 6.2%, for the six months ended June 30, 2018 and 2019, respectively, in preparation of our audited financial statements for the six months ended June 30, 2019.

Six months ended June 30, 2019 compared to the same period in 2018

Revenue from Joyoung segment remained relatively stable at US$563.1 million and US$572.3 million in the six months ended June 30, 2018 and 2019, respectively.

- *Cooking Appliances:* Revenue from sales of cooking appliances decreased by 7.0% from US$272.7 million in the six months ended June 30, 2018 to US$253.5 million in the same period in 2019, primarily affected by the depreciation of the Renminbi against the US dollar. We managed to boost sales of rice cookers mildly in the first half of 2019 amid a slowdown in the Chinese cooking appliance market in the same period. Our new product launch schedule in the first half of 2019 was delayed compared to 2018. We launched a new multifunctional steamer in May 2019 and will continue to launch more multifunctional steamer products with enhanced functionalities and designs to further strengthen our cooking appliances product category.
- *Food Preparation Appliances:* Revenue from sales of food preparation appliances increased by 6.5% from US$236.2 million in the six months ended June 30, 2018 to US$251.6 million in the same period in 2019, primarily due to robust growth in the sales

of our high-performance multifunctional blenders. We launched the first wash-free noise-free high-performance multifunctional blenders in the first half of 2019, and expanded our product portfolio to enhance our competitiveness among customers with different purchasing power and preference, which boosted our sales of high-performance multifunctional blenders. In addition, our premium K-series soymilk makers, one of our evolutionary products in the soymilk series, continued to gain popularity and sales increased. Such increases were partially offset by the depreciation of the Renminbi against the US dollar.

- *Cleaning Appliances:* Revenue from sales of cleaning appliances increased significantly from US$1.0 million in the six months ended June 30, 2018 to US$7.8 million in the same period in 2019. Revenue resulting from sales of cleaning appliances represents revenue from reselling Shark-branded cleaning products in China through SharkNinja (China) following the acquisition of SharkNinja. Capitalized on the quality and wide variety of Shark-branded cleaning products, and our promotion efforts as well as the expansion of sales channels in China, we achieved strong momentum in the sales of Shark-branded cleaning products in the first half of 2019. We launched multi-purpose disinfection solution products in 2018 and handheld vacuum products (particularly, a collaboration version with Line Friends) in 2019, which received positive market feedback.
- *Others:* Revenue from sales of other products increased by 11.7% from US$53.2 million in the six months ended June 30, 2018 to US$59.4 million in the same period in 2019, primarily due to the increased sales of reverse osmosis (RO) water purifiers in the first half of 2019.

2018 compared to 2017

Revenue from Joyoung segment increased by 11.9% from US$1,053.5 million in 2017 to US$1,179.0 million in 2018, with a revenue increase in each of our major product categories.

- *Cooking Appliances:* Revenue from sales of cooking appliances increased by 12.0% from US$507.1 million in 2017 to US$567.8 million in 2018, primarily due to (i) an increase in the sales of our rice cookers, pressure cookers and kettles in 2018 as a result of our new products such as new IH rice cookers with cast iron pot and pressure cookers with cold-water pressure-release systems, and our vast customer base for these necessities in the Chinese household; and (ii) an increase in the total sales of electrical hot pots, automatic cookers and air fryers in 2018, our new product lines, as a result of our continuous efforts in product development and marketing.
- *Food Preparation Appliances:* Revenue from sales of food preparation appliances increased by 9.9% from US$456.6 million in 2017 to US$501.7 million in 2018, primarily due to the strong growth of our high-performance multifunctional blenders, which echo the current trend in China for premium products and increased health consciousness. Given our high-performance multifunctional blender is a multifunctional product, it could cover functions of certain other kitchen appliances such as soymilk makers, food processors and juicers, and therefore may affect our sales of other food preparation appliances. We continued to develop our soymilk makers through launching evolutionary products, such as our premium K-series soymilk makers.
- *Cleaning Appliances:* Revenue from sales of cleaning appliances in 2018 was US$2.9 million, accounting for 0.2% of the segment revenue.

- *Others:* Revenue from sales of other products increased by 18.7% from US$89.8 million in 2017 to US$106.6 million in 2018. Such increase was primarily due to an increase in the sales of our water purifier product line in 2018, which is the largest component of this subset, as a result of our efforts in developing this product line to address consumer needs for water with healthier qualities.

2017 compared to 2016

Revenue from Joyoung segment decreased slightly by 2.5% from US$1,080.3 million in 2016 to US$1,053.5 million in 2017.

- *Cooking Appliances:* Revenue from sales of cooking appliances decreased by 7.4% from US$547.7 million in 2016 to US$507.1 million in 2017, primarily due to the consolidation and optimization of our distribution network in 2017, which affected our sales performance in 2017.
- *Food Preparation Appliances:* Revenue from sales of food preparation appliances increased by 1.3% from US$450.6 million in 2016 to US$456.6 million in 2017. Such increase was primarily driven by the increase in sales of our high-performance multifunctional blenders, which was partially offset by the impact due to the consolidation and optimization of our distribution network in 2017.
- *Others:* Revenue from sales of other products increased by 9.5% from US$82.0 million in 2016 to US$89.8 million in 2017, primarily due to increased sales in water purifiers. Market penetration rate of water purifiers in China is relatively low currently, and provides significant growth opportunities.

SharkNinja Segment

We completed the acquisition of SharkNinja on September 29, 2017. Under IFRS, the financial results of SharkNinja have been reflected in our consolidated financial information since then. For the purposes of presenting SharkNinja's results of operations during the Track Record Period, we have included below its historical financial information prior to the acquisition. SharkNinja had a financial year end of March 31 prior to the acquisition. We have included SharkNinja's results of operations (i) for the financial year ended March 31, 2016 ("Predecessor Financial Year 2016"), (ii) for the financial year ended March 31, 2017 ("Predecessor Financial Year 2017"), (iii) for the period from April 1, 2017 to September 28, 2017 ("Predecessor Period 2017"), (iv) for the period from September 29, 2017 to December 31, 2017 ("Successor Period 2017"), (v) for the year ended December 31, 2018 and (vi) for the six months ended June 30, 2018 and 2019. The financial results of SharkNinja for Predecessor Financial Year 2016, Predecessor Financial Year 2017 and Predecessor Period 2017 are derived from SharkNinja's stand-alone pre-acquisition financial statements, which have been audited by Ernst & Young and are disclosed in Section III in the notes to the Accountants' Report in Appendix I to this prospectus. The financial results of SharkNinja for Successor Period 2017, the year ended December 31, 2018 and the six months ended June 30, 2018 and 2019 are derived from the segment financial information. We present these data for information and illustrative purposes only. As we did not control SharkNinja's business prior to September 29, 2017, we are not permitted under IFRS to include its financial results in our consolidated financial statements prior to that date.

As a result of the acquisition of SharkNinja, we started offering small household appliances under the brands of Shark and Ninja and have been generating revenue therefrom. The following table

sets forth the breakdown of our revenue from SharkNinja segment by product category for the periods indicated:

	Pre-acquisition						Post-acquisition							
	For the fiscal year ended March 31, 2016 (Predecessor Financial Year 2016)		For the fiscal year ended March 31, 2017 (Predecessor Financial Year 2017)		For the period from April 1, 2017 to September 28, 2017 (Predecessor Period 2017)		For the period from September 29, 2017 to December 31, 2017 (Successor Period 2017)		For the year ended December 31, 2018		For the six months ended June 30,			
											2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(in US$ millions, except percentages)				(in US$ millions, except percentages) (unaudited)			
Cleaning appliances	902.1	62.7	880.9	65.0	423.6	72.0	321.2	67.4	1,067.2	72.2	424.6	74.5	452.7	68.3
Food preparation appliances	437.4	30.4	342.5	25.3	134.6	22.9	117.4	24.6	278.8	18.9	118.3	20.7	95.8	14.4
Cooking appliances	68.9	4.8	104.7	7.7	18.0	3.0	32.0	6.7	109.2	7.4	16.4	2.9	105.6	15.9
Others	30.0	2.1	26.7	2.0	12.3	2.1	6.0	1.3	22.2	1.5	11.0	1.9	9.4	1.4
Total	**1,438.4**	**100.0**	**1,354.8**	**100.0**	**588.5**	**100.0**	**476.6**	**100.0**	**1,477.4**	**100.0**	**570.3**	**100.0**	**663.5**	**100.0**

Due to the acquisition and the mismatch of the financial year-end of SharkNinja prior to the acquisition compared to the financial year-end of our Group, the financial results of SharkNinja for the year ended December 31, 2017 were covered separately by the financial results for the Predecessor Financial Year 2017, Predecessor Period 2017 and Successor Period 2017 as presented above. Accordingly, there is in effect no financial result of SharkNinja for the year ended December 31, 2017 for a year-on-year analysis. As such, we present to the potential investors in relation to SharkNinja segment: (i) six months ended June 30, 2019 compared to the same period in 2018, which discusses SharkNinja's financial performance on a period-to-period basis; (ii) 2018 analysis, which focuses on SharkNinja segment's financial performance in 2018; and (iii) Predecessor Financial Year 2017 compared to Predecessor Financial Year 2016, which discusses SharkNinja's financial performance on a year-on-year basis for its financial year ended March 31, 2016 and March 31, 2017, respectively. Potential investors are advised to exercise caution when analyzing SharkNinja's financial results for the year ended December 31, 2017.

Six months ended June 30, 2019 compared to the same period in 2018

Revenue from SharkNinja segment increased by 16.3% from US$570.3 million in the six months ended June 30, 2018 to US$663.5 million in the same period in 2019.

- *Cleaning Appliances:* During the Track Record Period, cleaning appliances have historically been SharkNinja's strongest product category. Revenue from sales of cleaning appliances increased by 6.6% from US$424.6 million in the six months ended June 30, 2018 to US$452.7 million in the same period in 2019, primarily due to significant sales growth in Europe, in addition to sales in Japan where we launched our business in 2018. Such increases were partially offset by decreases in sales of our cordless vacuums primarily due to relatively slower sales of older generation products. We have launched a new series of cordless vacuums in the second half of 2019.
- *Food Preparation Appliances:* Revenue from sales of food preparation appliances decreased by 19.0% from US$118.3 million in the six months ended June 30, 2018 to

US$95.8 million in the same period in 2019, primarily due to an overall slowdown in this category in North America. In addition, we reduced long-form advertising in the United States for this category in the first half 2019 in response to the market slowdown.

- *Cooking Appliances:* Foodi, which combines pressure cooking and air frying in one multifunctional cooker, has been a blockbuster product in the US market since its introduction in 2018. It continued to generate robust sales growth in the first half of 2019. Revenue from sales of cooking appliances increased by 543.9% from US$16.4 million in the six months ended June 30, 2018 to US$105.6 million in the same period in 2019, primarily contributed by the sales of Foodi.
- *Others:* Other products are primarily represented by our garment care products. Garment care products generally have a lower price point compared with other Shark or Ninja branded products, and accounted for less than 2.5% of the segment revenue for any given period above. Revenue from sales of other products decreased by 14.5% from US$11.0 million in the six months ended June 30, 2018 to US$9.4 million in the same period in 2019, primarily due to a reduction in placement at our retailers of our garment care products.

2018 analysis

Revenue from SharkNinja segment was US$588.5 million in Predecessor Period 2017, US$476.6 million in Successor Period 2017, and US$1,477.4 million in 2018.

In 2018, the effect of our increased focus on product categories with higher price points reflected on our financial performance. We introduced more products at higher price points to capture the opportunities in premium market segments, such as our robotic vacuums, cordless stick vacuums and the Foodi series.

- *Cleaning Appliances:* In 2018, revenue from sales of cleaning appliances amounted to US$1,067.2 million, contributing 72.2% of the segment revenue in the same year. Revenue from sales of cleaning appliances for the Predecessor Period 2017 and the Successor Period 2017 was US$423.6 million and US$321.2 million, respectively.

  We have increasingly focused on premium product lines. For example, products that can further relieve consumers from household chores, such as our robotic vacuums, and products that are easier or more fun to use, such as our cordless stick vacuums, generally command higher pricing. Meanwhile, we continued to launch new products, such as Duo-Clean vacuums and Zero-M vacuums, to strengthen our leading market position in the vacuum market.
- *Food Preparation Appliances:* In 2018, revenue from sales of food preparation appliances amounted to US$278.8 million, contributing 18.9% of the segment revenue in the same year. Revenue from sales of food preparation appliances for the Predecessor Period 2017 and the Successor Period 2017 was US$134.6 million and US$117.4 million, respectively.

  In particular, we launched Fresh-Vac technology for our Ninja FreshVac Blenders in 2018, which enabled consumers to lengthen the amount of time their smoothies remain fresh.
- *Cooking Appliances:* In 2018, revenue from sales of cooking appliances amounted to US$109.2 million, contributing 7.4% to the segment revenue in the same year. Revenue from sales of cooking appliances for the Predecessor Period 2017 and the Successor Period 2017 was US$18.0 million and US$32.0 million, respectively.

We launched Foodi in 2018 and it has quickly become a blockbuster product in the US market. In addition, we launched an air-fryer and a stand-alone pressure cooker to further penetrate the cooking appliance market.

- *Others:* In 2018, revenue from sales of other products amounted to US$22.2 million, contributing 1.5% of segment revenue in the same year. Revenue from sales of other products for the Predecessor Period 2017 and the Successor Period 2017 was US$12.3 million and US$6.0 million, respectively.

In addition, in 2018, we achieved strong sales performance in the UK market, primarily driven by sales of our cleaning appliances due to a combination of the following factors: (i) we have raised brand awareness in the UK market as a result of our continuous marketing efforts; (ii) we increased our retailer penetration in the UK market in 2018 and (iii) our direct sales channel through our company website, which typically only takes one day delivery in the United Kingdom, increased in 2018.

Predecessor Financial Year 2017 compared to Predecessor Financial Year 2016

Revenue from SharkNinja segment decreased by 5.8% from US$1,438.4 million in Predecessor Financial Year 2016 to US$1,354.8 million in Predecessor Financial Year 2017. This decrease was primarily due to a combination of the following factors: (i) reduction in sales generated by direct-response television broadcasting advertising as SharkNinja shifted towards other advertising formats which it considered more effective and efficient; (ii) reduction in international sales outside of North America as it strategically transitioned away from certain distributors in certain markets which temporarily affected the sales performance; and (iii) reduction in sales of food preparation appliances as a result of shifts in consumer preferences in the market, all of which were partially offset by an increase in the growth of vacuum sales.

Others Segment

In 2016, 2017 and 2018, we generated revenue from selling soymilk powder and commercial soymilk makers under our Jiuyang Bean business unit. In November 2018, we disposed of a majority of our equity interest in Jiuyang Bean to a related party, ceased to consolidate it as a subsidiary and no longer have the others segment since then.

Cost of Sales

The table below sets forth the breakdown of our cost of sales by segment for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Joyoung segment	736.9	98.0	715.0	68.5	797.9	47.4	380.9	52.3	378.5	48.9
SharkNinja segment	—	—	307.4	29.4	868.1	51.6	334.0	45.8	395.2	51.1
Others segment	14.7	2.0	21.9	2.1	16.9	1.0	13.6	1.9	—	—
Total	**751.6**	**100.0**	**1,044.3**	**100.0**	**1,682.9**	**100.0**	**728.5**	**100.0**	**773.7**	**100.0**

The following table sets forth the breakdown of our cost of sales by brand for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Joyoung	751.6	100.0	736.9	70.6	815.6	48.5	394.0	54.1	375.4	48.5
Shark	—	—	205.9	19.7	632.0	37.6	250.0	34.3	262.2	33.9
Ninja	—	—	101.5	9.7	235.3	13.9	84.5	11.6	136.1	17.6
Total	**751.6**	**100.0**	**1,044.3**	**100.0**	**1,682.9**	**100.0**	**728.5**	**100.0**	**773.7**	**100.0**

Our cost of sales consists of (i) procurement cost of finished products from OEM suppliers, (ii) procurement cost of raw materials and components for our in-house production, (iii) inbound transportation costs, (iv) taxes, duties and surcharges and (v) other costs primarily consisting of certain labor and overhead costs associated with the procurement and importation of finished goods.

The following table sets forth the breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in US$ millions, except percentages)						(unaudited)			
Procurement cost—OEM suppliers	625.8	83.2	935.8	89.6	1,521.4	90.4	676.4	92.8	697.8	90.2
Procurement cost—in-house production	117.7	15.7	77.4	7.4	65.7	3.9	14.2	2.0	24.9	3.2
Transportation costs	—	0.0	8.3	0.8	23.0	1.4	8.9	1.2	10.9	1.4
Taxes, duties and surcharges	—	0.0	4.4	0.4	19.3	1.1	4.5	0.6	16.2	2.1
Others[1]	8.1	1.1	18.4	1.8	53.5	3.2	24.5	3.4	23.9	3.1
Total	**751.6**	**100.0**	**1,044.3**	**100.0**	**1,682.9**	**100.0**	**728.5**	**100.0**	**773.7**	**100.0**

(1) Others primarily include labor costs.

Six months ended June 30, 2019 compared to the same period in 2018

Our cost of sales increased by 6.2% from US$728.5 million in the six months ended June 30, 2018 to US$773.7 million in the same period in 2019, primarily due to an increase in sales during the same period.

2018 compared to 2017

Our cost of sales increased by 61.2% from US$1,044.3 million in 2017 to US$1,682.9 million in 2018, primarily attributable to the consolidation of SharkNinja for a full year in 2018, compared to approximately three months in 2017. This increase also reflected the corresponding general increase in Joyoung segment's sales.

2017 compared to 2016

Our cost of sales increased by 38.9% from US$751.6 million in 2016 to US$1,044.3 million in 2017, primarily reflected the acquisition of SharkNinja.

Joyoung Segment

Substantially all of the cost of sales of Joyoung segment are procurement costs for (i) finished products from OEM suppliers and (ii) raw materials and components for our in-house production. In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, cost of sales of Joyoung segment amounted to US$736.9 million, US$715.0 million, US$797.9 million, US$380.9 million and US$378.5 million, respectively. We endeavored to reduce the cost while maintaining the quality of our products by value engineering and price control. We did not experience material adverse change on the supply end, and the trend and magnitude of changes of our segment cost of sales during the Track Record Period was generally in line with the trend and the magnitude of changes of the segment revenue for the same periods.

SharkNinja Segment

Cost of sales for SharkNinja segment consists of (i) procurement cost of finished products from OEM suppliers, (ii) inbound transportation costs, (iii) taxes, duties and surcharges and (iv) other costs primarily consisting of labor costs. The following table sets forth the cost of sales in SharkNinja segment for the periods indicated:

Pre-acquisition			Post-acquisition			
For the fiscal year ended March 31, 2016 (Predecessor Financial Year 2016)	For the fiscal year ended March 31, 2017 (Predecessor Financial Year 2017)	For the period from April 1, 2017 to September 28, 2017 (Predecessor Period 2017)	For the period from September 29, 2017 to December 31, 2017 (Successor Period 2017)	For the year ended December 31, 2018	For the six months ended June 30,	
					2018	2019
					(unaudited)	
(in US$ millions)			(in US$ millions)		(in US$ millions)	
844.3	**778.1**	**346.7**	**307.4**	**868.1**	**334.0**	**395.2**

Six months ended June 30, 2019 compared to the same period in 2018

Cost of sales for SharkNinja segment increased by 18.3% from US$334.0 million in the six months ended June 30, 2018 to US$395.2 million in the same period in 2019, primarily due to (i) increased sales in the first half of 2019; (ii) growth in sales of products with relatively lower gross margin; and (iii) a significant increase in taxes, duties and surcharges as a result of the additional US customs duties applied on certain of our products imported from China to the US market, which were partially offset by renegotiating purchase prices favorable to us with our OEM suppliers leveraging the general depreciation of the Renminbi against the US dollar, and by reducing the costs on selected products across SharkNinja segment's product portfolio through value engineering.

2018 analysis

Cost of sales for SharkNinja segment was US$346.7 million in Predecessor Period 2017, US$307.4 million in Successor Period 2017, and US$868.1 million in 2018.

Our cost of sales in 2018 was primarily affected by the combined effects of customs duties increase and the exchange rate fluctuation between Renminbi and US dollar. To mitigate the adverse impact from the customs duties increase, we have endeavored to, among other things, renegotiate the purchase prices of finished products with our OEM suppliers, perform value engineering through utilizing less expensive components or designs that can satisfy the product's lifetime projections and functions and expand our manufacturing resources to potentially other countries.

Predecessor Financial Year 2017 compared to Predecessor Financial Year 2016

Cost of sales for SharkNinja segment decreased by 7.8% from US$844.3 million in Predecessor Financial Year 2016 to US$778.1 million in Predecessor Financial Year 2017, which was in line with the decrease in revenue for the same periods.

Gross Profit and Gross Margin

In 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, our gross profit amounted to US$351.4 million, US$519.1 million, US$999.0 million, US$425.4 million and US$462.1 million, respectively. Had the acquisition taken place at the beginning of 2017, our gross profit for the year from January 1, 2017 to December 31, 2017 would have been US$903.4 million.

The following table sets forth our gross profit and gross margin by business segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
							(unaudited)			
	(in US$ millions, except percentages)									
Joyoung segment	343.4	31.8%	338.5	32.1%	381.1	32.3%	182.2	32.4%	193.8	33.9%
SharkNinja segment	—	—	169.2	35.5	609.3	41.2	236.3	41.4	268.3	40.4
Others segment	8.0	35.5	11.4	34.2	8.6	33.9	6.9	33.7	—	—
Total	**351.4**	**31.9%**	**519.1**	**33.2%**	**999.0**	**37.3%**	**425.4**	**36.9%**	**462.1**	**37.4%**

The following table sets forth our gross profit and gross margin by brand for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
							(unaudited)			
	(in US$ millions, except percentages)									
Joyoung	351.4	31.9%	349.9	32.2%	385.8	32.1%	188.5	32.4%	188.6	33.4%
Shark	—	—	121.1	37.1	460.4	42.2	186.7	42.8	187.4	41.7
Ninja	—	—	48.1	32.1	152.8	39.4	50.2	37.3	86.1	38.7
Total	**351.4**	**31.9%**	**519.1**	**33.2%**	**999.0**	**37.3%**	**425.4**	**36.9%**	**462.1**	**37.4%**

Six months ended June 30, 2019 compared to the same period in 2018

As a result of the foregoing, our gross profit increased by 8.6% from US$425.4 million in the six months ended June 30, 2018 to US$462.1 million in the same period in 2019, primarily due to an increase in sales of products with higher gross margin during the same periods and our continuous efforts in reducing costs of sales.

Our gross margin increased from 36.9% in the six months ended June 30, 2018 to 37.4% in the same period in 2019, primarily due to our increased sales of products with higher gross margin.

2018 compared to 2017

As a result of the foregoing, our gross profit increased by 92.4% from US$519.1 million in 2017 to US$999.0 million in 2018. The increase primarily reflected the consolidation of SharkNinja for a full year in 2018 compared to only approximately three months in 2017.

Our gross profit margin increased from 33.2% in 2017 to 37.3% in 2018 primarily due to the consolidation of SharkNinja, which generally has a higher gross margin than Joyoung segment's, for a full year in 2018, compared to partially in 2017. Such increase was partially offset by the inventory step up from SharkNinja segment due to the revaluation of its inventories at the acquisition of SharkNinja.

2017 compared to 2016

As a result of the foregoing, our gross profit increased by 47.7% from US$351.4 million in 2016 to US$519.1 million in 2017. The increase primarily reflected the consolidation of SharkNinja segment after the acquisition in September 2017.

Our gross margin increased from 31.9% in 2016 to 33.2% in 2017, primarily due to the consolidation of SharkNinja with higher profit margin since September 2017, which was partially offset by the inventory step up from SharkNinja segment due to the revaluation of its inventories at the acquisition of SharkNinja.

Joyoung Segment

The gross margin of Joyoung segment is generally affected by product mix. The overall profit margin of Joyoung segment remained relatively stable, primarily because we maintain an extensive product portfolio with a wide range of pricing and margin levels, which enable us to maintain a balanced and stable gross margin level. As of June 30, 2019, Joyoung segment product portfolio reached 34 product lines.

Six months ended June 30, 2019 compared to the same period in 2018

As a result of the foregoing, the gross profit of Joyoung segment increased by 6.4% from US$182.2 million in the six months ended June 30, 2018 to US$193.8 million in the same period in 2019. The gross margin of Joyoung segment increased from 32.4% in the six months ended June 30, 2018 to 33.9% in the same period in 2019, as a result of increased sales of products with higher gross margin.

2018 compared to 2017

As a result of the foregoing, the gross profit of Joyoung segment increased by 12.6% from US$338.5 million in 2017 to US$381.1 million in 2018. The gross margin of Joyoung segment remained relatively stable at 32.1% and 32.3% in 2017 and 2018, respectively.

2017 compared to 2016

As a result of the foregoing, the gross profit of Joyoung segment decreased by 1.4% from US$343.4 million in 2016 to US$338.5 million in 2017. The gross margin of Joyoung segment remained relatively stable at 31.8% and 32.1% in 2016 and 2017, respectively.

SharkNinja Segment

The table below sets forth the gross profit and gross margin for SharkNinja segment for the periods indicated:

Pre-acquisition						Post-acquisition							
For the fiscal year ended March 31, 2016 (Predecessor Financial Year 2016)		For the fiscal year ended March 31, 2017 (Predecessor Financial Year 2017)		For the period from April 1, 2017 to September 28, 2017 (Predecessor Period 2017)		For the period from September 29, 2017 to December 31, 2017 (Successor Period 2017)		For the year ended December 31, 2018		For the six months ended June 30,			
										2018		2019	
Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
										(unaudited)			
(in US$ millions, except percentages)						(in US$ millions, except percentages)				(in US$ millions, except percentages)			
594.1	41.3%	576.7	42.6%	241.8	41.1%	169.2	35.5%	609.3	41.2%	236.3	41.4%	268.3	40.4%

The gross margin of SharkNinja segment is generally affected by a combination of product mix and channel mix.

Launch of new products may temporarily lower gross margin as a result of our efforts to gain market share. Once we have achieved certain market share, we are generally able to increase our margins through introduction of upgraded products with higher price points and cost-down measures. Profit margin varies across sales channels. Changes in channel mix and our sales strategies may affect our profit margin. For example, television broadcasting sales generally have higher profit margin than other sales channels.

Six months ended June 30, 2019 compared to the same period in 2018

As a result of the foregoing, the gross profit for SharkNinja segment increased by 13.5% from US$236.3 million in the six months ended June 30, 2018 to US$268.3 million in the same period in 2019. The gross margin for SharkNinja segment decreased slightly from 41.4% in the six months ended June 30, 2018 to 40.4% in the same period in 2019, primarily due to (i) the fact that our Foodi product was launched in 2018 and is relatively new to the market and has yet to see the full benefit of the manufacturing and design efficiencies compared to our legacy products; and (ii) the impact of additional US customs duties on certain product lines. In response to the increased customs duties, we have raised selling prices and taken steps to reduce costs. For details, see "Summary—US Customs Duties." Certain of these initiatives were not implemented for the entire six months ended June 30, 2019 and resulted in an increased cost of sales during this period. These factors contributing to a decrease in gross margin were partially offset by an increase in gross margin for business outside of North America which benefited especially from reduced procurement costs leveraging the general deprecation of Renminbi against US dollar.

2018 analysis

As a result of the foregoing, the gross profit for SharkNinja segment was US$241.8 million in Predecessor Period 2017, US$169.2 million in Successor Period 2017, and US$609.3 million in 2018. Gross margin of SharkNinja segment was 41.1%, 35.5% and 41.2% for Predecessor Period 2017, Successor Period 2017 and 2018, respectively.

The gross margin of SharkNinja segment was 35.5% for Successor Period 2017, primarily due to a revaluation of its inventories from purchase price to fair value under the purchase accounting method at the acquisition of SharkNinja, which contributed US$29.1 million to the segment cost of sales in 2017.

Predecessor Financial Year 2017 compared to Predecessor Financial Year 2016

As a result of the foregoing, the gross profit for SharkNinja segment decreased by 2.9% from US$594.1 million in Predecessor Financial Year 2016 to US$576.7 million in Predecessor Financial Year 2017. The gross margin for SharkNinja segment increased from 41.3% in Predecessor Financial Year 2016 to 42.6% in Predecessor Financial Year 2017, primarily due to a combined effect of increased sales of our premium vacuums with higher gross margin and decreased sales of our food preparation appliances with lower gross margin.

Other Income and Gains

Our other income and gains primarily include (i) gain on disposal of property, plant and equipment, (ii) government grant, (iii) gain on disposal of subsidiaries and (iv) bank interest income. We receive various government grants mainly for our research activities, innovation and patents. There are no unfulfilled conditions or contingencies relating to these government grants during the Track Record Period.

The following table sets forth the breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Other income					
Bank interest income	1.8	1.5	2.2	0.6	1.9
Rental income	1.3	1.4	1.0	0.4	0.4
Government grants	9.2	10.0	10.3	1.0	2.9
Others	1.8	1.9	1.0	0.1	0.1
Subtotal	**14.1**	**14.8**	**14.5**	**2.1**	**5.3**
Gains					
Gain on disposal of items of property, plant and equipment	7.1	0.2	16.3	—	—
Gain on disposal of investment properties	—	—	1.9	1.9	—
Gain on financial assets at fair value through profit or loss, net	17.9	5.7	0.7	—	6.0
Gain on disposal of subsidiaries	—	1.6	9.8	11.6	—
Others	2.0	0.6	1.3	1.6	1.0
Subtotal	**27.0**	**8.1**	**30.0**	**15.1**	**7.0**
Total	**41.1**	**22.9**	**44.5**	**17.2**	**12.3**

Six months ended June 30, 2019 compared to the same period in 2018

Our other income and gains decreased by 28.5% from US$17.2 million in the six months ended June 30, 2018 to US$12.3 million in the same period in 2019, primarily due to the non-recurrence of gain on disposal of subsidiaries in the six months ended June 30, 2019. In the six months ended June 30, 2018, we disposed of all of our equity interest in Suzhou Joyoung and recorded a gain on disposal of subsidiaries of US$11.6 million. In the six months ended June 30, 2019, we did not dispose of any subsidiary. Such decrease was partially offset by a gain on financial assets at fair value through profit or loss of US$6.0 million in the six months ended June 30, 2019 due to dividends/interest received from financial assets at fair value through profit or loss.

2018 compared to 2017

Our other income and gains increased by 94.3% from US$22.9 million in 2017 to US$44.5 million in 2018, primarily due to a substantial increase in gain on disposal of property, plant and equipment as we disposed of certain land and properties in 2018, and to a lesser extent, due to an increase in gain on disposal of subsidiaries. We disposed all of our equity interest in Suzhou Joyoung and a majority of our equity interest in Jiuyang Bean in 2018 and a majority of our equity interest in Hangzhou Yibei in 2017, none of which was our major operating entity prior to their disposal.

2017 compared to 2016

Our other income and gains decreased by 44.3% from US$41.1 million in 2016 to US$22.9 million in 2017, primarily due to (i) a substantial decrease in net gain on financial assets at fair value through profit or loss due to decreases in the fair value valuation of our equity investments in 2017; and (ii) a decrease in gain on disposal of property, plant and equipment, because we disposed of

certain land and properties in 2016 while we did not dispose of any major property, plant and equipment in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) advertising fee; (ii) warehousing and transportation expenses for sales of our products; (iii) staff cost in relation to sales and distribution staff; (iv) trade marketing expenses in relation to marketing and branding expenses primarily at our sales channel; (v) business development expenses; and (vi) office expenses and others. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Advertising expenses	20.1	97.6	207.5	83.5	71.5
Warehousing and transportation expenses	28.5	41.7	75.4	32.8	41.3
Trade marketing expenses	58.5	52.9	65.1	42.3	34.2
Staff cost	32.5	42.2	72.9	29.7	30.8
Business development expenses	8.8	12.2	25.5	11.1	11.0
Office expenses and others	12.7	17.1	31.2	13.9	14.7
Total	**161.1**	**263.7**	**477.6**	**213.3**	**203.5**

Six months ended June 30, 2019 compared to the same period in 2018

Our selling and distribution expenses decreased by 4.6% from US$213.3 million in the six months ended June 30, 2018 to US$203.5 million in the same period in 2019, primarily due to (i) a decrease in advertising expenses as a result of reduced special advertising activities of Joyoung segment in the first half of 2019 compared to the same period in 2018 for events such as the World Cup, as well as SharkNinja segment's reduction on its long-form television broadcasting advertising in response to the heighted seasonality of certain new product lines which generate lower returns on advertising expenses; and (ii) a decrease in trade marketing expenses as a result of our own increased marketing and branding activities instead of through our sales channel. Such decreases were partially offset by an increase in transportation expenses as a result of increased sales.

2018 compared to 2017

Our selling and distribution expenses increased by 81.1% from US$263.7 million in 2017 to US$477.6 million in 2018, primarily due to (i) an increase in selling and distribution expenses from SharkNinja segment because we only recorded such expenses from SharkNinja segment for approximately three months in 2017 after the acquisition of SharkNinja, compared to a full year in 2018; (ii) a substantial increase in advertising fee to enhance brand recognition. In 2018, apart from the usual advertising fee incurred by SharkNinja segment, Joyoung segment also increased its advertising expenses for branding campaigns; and (iii) increases in our trade marketing expenses and business development expenses due to the launch of new products and market expansion in 2018.

2017 compared to 2016

Our selling and distribution expenses increased by 63.7% from US$161.1 million in 2016 to US$263.7 million in 2017, primarily due to an increase in advertising fee as a result of the inclusion of

SharkNinja's advertising fee after the acquisition. SharkNinja's advertising fee was relatively high in 2017 primarily because it usually incurred higher advertising fee in the fourth quarter of the year to stimulate sales in the peak season. Such increase in selling and distribution expenses was, to a lesser extent, due to the increase in warehousing and transportation expenses because we started to record such additional expenses from SharkNinja after the acquisition.

Administrative Expenses

Our administrative expenses primarily consist of (i) retention bonus for SharkNinja segment and staff cost in relation to administrative staff; (ii) depreciation and amortization in relation to SharkNinja's office building in the United States; (iii) professional service fees primarily consisting of (a) legal fees, (b) tax and audit advisory fees, and (c) engineering consulting fees; (iv) office expenses; and (v) other expenses. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Staff cost	46.7	72.8	157.2	71.0	85.4
Professional service fees	1.8	11.1	38.7	20.0	27.7
Depreciation and amortization	6.0	13.0	44.8	22.1	24.8
Office expenses	13.6	15.4	25.5	9.4	12.8
Other[1]	12.4	23.7	51.4	27.0	28.4
Total	**80.5**	**136.0**	**317.6**	**149.5**	**179.1**

(1) Other expenses primarily include bank transaction fees, prototype expenses, patent fee and traveling expenses.

Six months ended June 30, 2019 compared to the same period in 2018

Our administrative expenses increased by 19.8% from US$149.5 million in the six months ended June 30, 2018 to US$179.1 million in the same period in 2019, primarily due to (i) an increase in staff costs as a result of salary increases in the first half of 2019 as well as continued investment in R&D staff to support new products and technologies development; and (ii) an increase in professional service fees paid to product development consultants and in relation to the Global Offering.

2018 compared to 2017

Our administrative expenses increased substantially from US$136.0 million in 2017 to US$317.6 million in 2018, primarily due to the acquisition of SharkNinja. In particular, staff cost increased significantly from US$72.8 million in 2017 to US$157.2 million in 2018, as a result of (i) the adjustment of employee benefits for SharkNinja segment, particularly the retention bonus paid; and (ii) the full year performance of SharkNinja being reflected in 2018. Depreciation and amortization expenses increased significantly from US$13.0 million in 2017 to US$44.8 million in 2018, due to the full year performance of SharkNinja being reflected in 2018 as compared to approximately three months in 2017. In addition, professional service fees increased significantly from US$11.1 million in 2017 to US$38.7 million in 2018, primarily due to the full year performance of SharkNinja being reflected in 2018 as compared to approximately three months in 2017.

2017 compared to 2016

Our administrative expenses increased by 68.9% from US$80.5 million in 2016 to US$136.0 million in 2017, primarily due to the acquisition of SharkNinja. Particularly, there was (i) an increase in staff cost, primarily due to the acquisition of SharkNinja and consequently the increase in the number of full-time employees; (ii) an increase in professional services fees paid to our consultants and auditors for the acquisition of SharkNinja; and (iii) an increase in depreciation and amortization in relation to SharkNinja's office building in the United States.

Impairment Losses on Financial Assets

Our impairment losses on financial assets include primarily impairment losses on trade receivables, and impairment losses on financial assets included in prepayments, other receivables and other assets. We recognize an allowance for expected credit losses ("ECLs") for all financial instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. For trade receivables that are overdue, we recorded impairment losses for expected losses of such receivables at different rates depending on the length of the overdue period. During the Track Record Period, we recorded impairment losses on financial assets of US$1.4 million, US$2.6 million, US$4.1 million and US$1.3 million, respectively.

Other Expenses

Our other expenses primarily consist of (i) changes in carrying amount in relation to the put option; and (ii) business combination transaction costs in relation to the acquisition of SharkNinja.

Six months ended June 30, 2019 compared to the same period in 2018

Our other expenses remained relatively stable at US$18.0 million and US$17.6 million in the six months ended June 30, 2018 and 2019, respectively.

2018 compared to 2017

Our other expenses increased substantially from US$22.9 million in 2017 to US$31.4 million in 2018, primarily as a result of an increase in the carrying amount of the put option from US$7.1 million in 2017 to US$28.8 million in 2018, according to the present value of the redemption liability of the put option, which was partially offset by an elimination of business combination transaction costs in 2018, given such costs were only recorded in 2017.

2017 compared to 2016

Our other expenses increased substantially from US$3.4 million in 2016 to US$22.9 million in 2017, primarily as a result of (i) an increase of US$13.3 million in business combination transaction costs in 2017, because we recorded such costs in 2017 incurred for the acquisition of SharkNinja; and (ii) an increase of US$7.1 million in the carrying amount of the put option, which reflected an increase in the balance of redemption liabilities associated with the put option from US$620.7 million as of September 29, 2017 to US$627.8 million as of December 31, 2017.

Finance Costs

Our finance costs primarily represent (i) interest expenses on bank loans; (ii) interest expenses on lease liabilities in relation to the lease agreement for SharkNinja's new office; (iii) amortization of deferred finance costs, representing amortization of various fees associated with the bank loans incurred for the acquisition of SharkNinja, such as upfront arrangement fees and professional parties fees; and (iv) other finance costs. The following table sets forth the breakdown of our finance costs for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Interest on bank loans	—	13.8	61.8	28.9	33.4
Interest on lease liabilities	0.2	0.9	3.0	1.5	1.5
Amortization of deferred finance costs	—	2.4	9.5	4.8	6.2
Other finance costs[1]	1.2	1.1	4.0	1.6	2.9
Total	**1.4**	**18.2**	**78.3**	**36.8**	**44.0**

(1) Other finance costs primarily include transaction fees for bill discounting.

During the Track Record Period, due to the acquisition of SharkNinja, we incurred substantive amount of bank loans, which led to the substantial increase in our finance costs.

Six months ended June 30, 2019 compared to the same period in 2018

Our finance costs increased by 19.6% from US$36.8 million in the six months ended June 30, 2018 to US$44.0 million in the same period in 2019, primarily due to an increase of US$4.5 million in interest on bank loans as a result of higher average interest rates during the first half of 2019.

2018 compared to 2017

Our finance costs increased substantially from US$18.2 million in 2017 to US$78.3 million in 2018, primarily arising out of our bank loans incurred for the acquisition of SharkNinja. A majority of our bank loans were incurred in the second half of 2017 and started to accumulate interest thereafter. As of December 31, 2017 and 2018, our interest-bearing bank borrowings amounted to US$1,203.7 million and US$1,185.3 million, respectively. See "—Indebtedness."

2017 compared to 2016

Our finance costs increased substantially from US$1.4 million in 2016 to US$18.2 million in 2017, primarily due to a substantial increase in our bank loans and interest thereon for the acquisition of SharkNinja. As of December 31, 2016 and 2017, our interest-bearing bank borrowings amounted to nil and US$1,203.7 million, respectively. See "—Indebtedness."

Share of Profits and Losses of Associates

Our shareholdings in the associates consist entirely of equity shares held by our subsidiaries. We have discontinued the recognition of our share of losses of certain associates because the share of losses of the associates exceeded our equity interest in the associates, and we have no obligation to take up further losses. The amounts of our unrecognized share of losses of the associates for 2016,

2017, 2018 and the six months ended June 30, 2019 were US$5,000, nil, US$57,000 and nil, respectively. In 2016, we recognized share of losses of associates of US$2.5 million, while, in 2017, 2018 and the six months ended June 30, 2019, we recognized share of profits of associates of US$3.2 million. US$5.8 million and US$92,000, respectively.

Six months ended June 30, 2019 compared to the same period in 2018

Our share of profits of associates decreased from US$5.7 million in the six months ended June 30, 2018 to US$92,000 in the same period in 2019, primarily attributed to dividend declared by one of our associate companies in the first half of 2018, which did not occur in the same period in 2019.

2018 compared to 2017

Our share of profits of associates increased from US$3.2 million in 2017 to US$5.8 million in 2018, primarily attributed to the operational results and financial performance of our associates in the same year.

2017 compared to 2016

In 2017, we recognized share of profits of associates of US$3.2 million, while in 2016, we recognized share of losses of associates of US$2.5 million, primarily attributed to the operational results and financial performance of our associates in the same year.

Income Tax

Income tax expense/credit represents current and deferred income tax expenses/credits. We are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which we are domiciled and operate. The determination of current and deferred income taxes was based on the enacted tax rates.

We are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Our subsidiaries located in mainland China were subject to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Track Record Period. Our subsidiary Joyoung Household Appliances, currently qualified as a high and new technology enterprise under the PRC income tax law, was entitled to preferential tax rate of 15% during the Track Record Period and will continue to enjoy such preferential tax rate until the end of 2019. We plan to reapply for such qualification and preferential tax rate, and as of the Latest Practicable Date, we do not foresee material obstacles in being requalified. According to the EIT Law and the relevant regulations and rules promulgated by the SAT, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses before 2018 and 175% since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). We have made our best estimate for the Super Deduction to be claimed for our entities in ascertaining their assessable profits during the Track Record Period.

Our US subsidiaries were subject to US federal income tax at the rate of 35%, which was subsequently decreased to 21% since January 1, 2018, and to various US state income taxes at rates ranging from 0.38% to 9.99%.

We recorded income tax expenses of US$19.8 million and US$28.3 million in 2016 and 2018, respectively, with an effective income tax rate of 13.9% and 20.1%, respectively. We recorded income tax credit of US$39.0 million in 2017. For the six months ended June 30, 2018 and 2019, we recorded income tax expenses of US$5.9 million and US$7.1 million, respectively, with an effective income tax rate of 22.1% and 24.3% respectively. As of the Latest Practicable Date, we do not have any dispute with any tax authority.

Six months ended June 30, 2019 compared to the same period in 2018

Our income tax expenses increased from US$5.9 million in the six months ended June 30, 2018 to US$7.1 million in the same period in 2019, primarily due to the increase in profit before tax.

2018 compared to 2017

We recorded income tax expenses of US$28.3 million in 2018, while we recorded an income tax credit of US$39.0 million in 2017. Upon the acquisition of SharkNinja as of September 29, 2017, we recorded net deferred tax liabilities of US$166.6 million, which were primarily related to fair value adjustments made to the acquired assets, the future amortization of which is not deductible for tax purposes. In December 2017, the US federal tax rate was reduced from 35% to 21% effective from January 1, 2018, therefore the net deferred tax liability related to SharkNinja was revalued using the lower tax rate, thereby resulting in a tax credit in 2017.

2017 compared to 2016

We recorded income tax credit of US$39.0 million in 2017, while we recorded income tax expenses of US$19.8 million in 2016, for the same reason above.

Net Profit

As a result of the reasons above, our net profit amounted to US$122.4 million, US$140.9 million, US$112.1 million, US$20.6 million and US$21.9 million in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively. Had the acquisition of SharkNinja taken place at the beginning of the year, our net profit for the period from January 1, 2017 to December 31, 2017 would have been US$165.4 million.

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net profit, EBITDA and adjusted EBITDA as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items that do not affect our ongoing operating performance, including expenses arising from the acquisition of SharkNinja and Reorganization, and non-operational or one-off expenses and gains (each without considering tax effect). Such non-IFRS measures allow investors to consider matrices used by our management in evaluating our performance. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to

analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

The following table shows our adjusted net profit, EBITDA and adjusted EBITDA for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Profit for the year/period	**122.4**	**140.9**	**112.1**	**20.6**	**21.9**
Add:					
Items arising from acquisition and relating to the Reorganization	***—***	***0.1***	***60.7***	***29.1***	***32.2***
Changes in carrying amount of financial liabilities associated with the put option	—	7.1	28.8	14.4	15.1
Transaction cost arising from the acquisition of SharkNinja	—	13.3	—	—	—
Amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja	—	6.0	30.9	14.6	14.5
Revaluation of inventory arising from the acquisition of SharkNinja	—	29.1	—	—	—
Revaluation of the deferred taxes due to a change in US tax rate	—	(56.0)	—	—	—
Reorganization related expenses including deferred financing cost	—	0.6	1.0	0.1	2.6
Non-recurring items and items not related to our ordinary course of business	***(20.5)***	***(1.4)***	***(21.7)***	***(12.4)***	***3.9***
Stock-based compensation	0.5	0.4	5.1	1.1	2.9
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(7.0)	(1.9)	(27.9)	(13.5)	—
Gain on fair value change from equity investments	(14.0)	0.1	1.1	—	(4.8)
Listing expenses	—	—	—	—	5.8
Adjusted net profit (unaudited)	**101.9**	**139.6**	**151.1**	**37.3**	**58.0**

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Profit before tax	**142.2**	**101.9**	**140.4**	**26.5**	**29.0**
Add:					
Finance cost	1.4	18.2	78.3	36.8	44.0
Depreciation	10.7	20.1	51.9	22.4	25.9
Amortization	3.0	9.6	35.6	16.8	18.3
Bank interest income	(1.8)	(1.5)	(2.2)	(0.6)	(1.9)
EBITDA (unaudited)	**155.5**	**148.3**	**304.0**	**101.9**	**115.3**
Add:					
Items arising from acquisition and relating to the Reorganization	***—***	***50.1***	***29.8***	***14.5***	***17.7***
Changes in carrying amount of financial liabilities associated with the put option	—	7.1	28.8	14.4	15.1
Transaction cost arising from the acquisition of SharkNinja	—	13.3	—	—	—

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Revaluation of inventory arising from the acquisition of SharkNinja	—	29.1	—	—	—
Reorganization-related expenses including deferred financing cost	—	0.6	1.0	0.1	2.6
Non-recurring items and items not related to our ordinary course of business	***(20.5)***	***(1.4)***	***(21.7)***	***(12.4)***	***3.9***
Stock-based compensation	0.5	0.4	5.1	1.1	2.9
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(7.0)	(1.9)	(27.9)	(13.5)	—
Gain on fair value change from equity investments	(14.0)	0.1	1.1	—	(4.8)
Listing expenses	—	—	—	—	5.8
Adjusted EBITDA (unaudited)	**135.0**	**197.0**	**312.1**	**104.0**	**136.9**

The non-IFRS measures used by us adjusted for, among other things, (i) changes in carrying amount of financial liabilities associated with the put option, (ii) transaction costs arising from the acquisition of SharkNinja, (iii) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja, (iv) stock-based compensation, and (v) gain on disposal of property, plant and equipment, investment property and subsidiaries, which may be considered recurring in nature but are neither considered by us as related to our ordinary course of business nor indicative of our ongoing core operating performance. Therefore, we believe that these items should be adjusted for when calculating adjusted EBITDA and adjusted net profit, as applicable, in order to provide potential investors with a complete and fair understanding of our core operating results and financial performance, so that potential investors can assess our underlying core performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations but without any material acquisition. We set out our detailed reasons below:

(i) changes in carrying amount of financial liabilities associated with the put option

Financial liabilities associated with the put option is due to the Put Option granted by Compass, our Company's subsidiary, to its non-controlling shareholder, under which such non-controlling shareholder was entitled to require Compass to repurchase all or a portion of Compass's shares beneficially owned by such non-controlling shareholder. The Put Option was terminated upon completion of the restructuring of Compass and replaced by the Put Right. The Put Right will be automatically terminated on the consummation of an initial public offering of any Shares of our Company. If the Put Right expires without being exercised, the carrying amount of the financial liabilities will be reclassified as equity. Therefore, our Company will not record expenses associated with the aforesaid Put Option and Put Right in 2020 onwards upon completion of the Global Offering. Also, the carrying amount of financial liabilities associated with the put option is based on the present value of the estimated future cash outflows under the Put Option and not related to our Company's core operational performance. For more details of the underlying arrangement of the Put Option and the Put Right, see "Financial Information—Critical Accounting Policies and Estimates—Financial liabilities associated with the put option" and "History, Reorganization and Corporate Structure—Major Acquisition."

(ii) transaction cost arising from the acquisition of SharkNinja

Transaction cost arising from the acquisition of SharkNinja refers to the costs associated with execution and completion of the acquisition of SharkNinja, which is a one-off and non-recurring event by nature, and primarily includes legal and other professional service fees, and we do not have frequent business acquisitions out of our ordinary course of business. We only recorded transaction cost arising from the acquisition of SharkNinja in 2017, the year when the acquisition took place, and did not have such expense in 2018 and the six months ended June 30, 2019 and will not record such expense item going forward.

(iii) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja

We do not consider amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja to be related to our ordinary course of business or indicative of our core operating performance, even though such expenses will recur in certain periods in the future. We do not have frequent business acquisitions, and during the Track Record Period, we only completed one major acquisition, the acquisition of SharkNinja. Firstly, amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja are non-business related items as the acquisition of SharkNinja is a one-off and non-recurring event by nature. Secondly, such amortizations are of non-cash nature and therefore do not impact our operations after the acquisition. Thirdly, such amortizations do not correlate with our core operating performance and their exclusion assists our management and potential investors in making period-to-period comparisons of our core operating performance.

For amortization of intangible assets, we recognized costs of SharkNinja's retailer relationships and patents (both under intangible assets) at their fair value as of the date of the acquisition due to purchase accounting of the acquisition, which is a one-off, non-recurring event by nature. Additionally, as the cash consideration of the acquisition had already been paid in September 2017, the subsequent amortization of intangible assets arising from such one-off event is of non-cash nature, and neither correlates with our core operating performance nor impacts our operations after the acquisition.

For amortization of deferred financing costs arising from the acquisition of SharkNinja, it is related to various fees associated with the bank loans incurred and paid in September 2017, such as upfront arrangement fees and professional parties fees, for the acquisition of SharkNinja, which is a one-off, non-recurring event by nature. The subsequent amortization of the deferred financing costs arising from such one-off event is of non-cash nature, and neither correlates to our core operating performance nor impacts our operations after the acquisition.

(iv) stock-based compensation

Stock-based compensation expense is a non-cash expense arising from granting stock-based awards to selected directors and employees. The amount of such expenses may not directly correlate with the underlying performance of our business operations and is also affected by non-operating performance related factors that are not closely or directly related to our business activities, such as timing of grants of new stock-based awards, vesting period and staff turnover rate. Determining the fair value of the stock-based awards involves a high-degree of judgment and the expenses recorded may not bear strong resemblance to the actual value realized upon the future exercise or termination of the related stock-based awards. Furthermore, historical occurrence of such stock-based compensation is

not indicative of future occurrence as it may not necessarily take place every year. As such, we do not consider such item to be indicative of our ongoing core operating performance.

(v) gain on disposal of property, plant and equipment, investment property and subsidiaries

A significant part of the gain on disposal of property, plant and equipment in 2016 and 2018 derived from the disposal of certain land and properties. We did not dispose of any land or property in 2017 and the six months ended June 30, 2019 and do not expect to do so on a regular basis in our ordinary course of business. As such, we do not consider such item to be indicative of our ongoing core operating performance.

For gain on disposal of investment property, this is related to a reclassification of investment property. See "Appendix I —Accountants' Report—II. Notes to the Historical Financial Information—26. Assets held for sale." The net book value of certain land, which was previously classified as an investment property, was reclassified as assets held for sale, under an agreement to retrieve the land use right from us. The relevant transaction was completed in 2018, and resulted in a gain of US$1,863,000 by us in 2018. Therefore, it is non-operational in nature. As such, we do not consider such item to be indicative of our ongoing core operating performance.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED BALANCE SHEETS

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated. This information has been extracted from, and should be read together with, our consolidated financial information included in "Appendix I—Accountants' Report."

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Total non-current assets	279.6	1,896.4	1,889.4	1,998.3
Total current assets	681.0	1,388.5	1,411.3	1,280.2
Total assets	**960.6**	**3,284.9**	**3,300.7**	**3,278.5**
Total non-current liabilities	7.0	2,026.0	1,557.0	1,704.9
Total current liabilities	308.0	661.1	1,280.7	1,128.7
Total liabilities	**315.0**	**2,687.1**	**2,837.7**	**2,833.6**
Net assets	**645.6**	**597.8**	**463.0**	**444.9**
Owners' equity	105.1	99.2	69.0	618.5
Reserves / (deficits)	209.0	(83.4)	(172.7)	(412.8)
Non-controlling interests	331.5	582.0	566.7	239.2
Total equity	**645.6**	**597.8**	**463.0**	**444.9**

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(in US$ millions)				(unaudited)
CURRENT ASSETS					
Inventories	59.5	272.2	349.9	330.0	426.5
Trade and bill receivables	224.5	627.5	772.7	545.7	815.7
Prepayment, other receivables and other assets	108.8	219.6	65.5	101.2	90.3
Financial assets at fair value through profit or loss	156.0	46.6	15.9	50.4	93.2
Pledged deposits	5.0	7.1	26.4	100.4	22.7
Cash and cash equivalents	127.2	211.0	180.9	152.5	174.9
Assets held for sale	—	4.5	—	—	—
Total current assets	**681.0**	**1,388.5**	**1,411.3**	**1,280.2**	**1,623.3**
CURRENT LIABILITIES					
Trade and bill payables	180.6	262.1	408.6	336.7	507.4
Other payables and accruals	119.1	371.3	364.1	757.5	442.7
Interest-bearing bank borrowings	—	10.0	485.5	21.9	225.0
Lease liabilities	2.4	10.4	11.0	12.5	11.6
Tax payable	5.9	7.3	11.5	0.1	6.1
Total current liabilities	**308.0**	**661.1**	**1,280.7**	**1,128.7**	**1,192.8**
NET CURRENT ASSETS(1)	**373.0**	**727.4**	**130.6**	**151.5**	**430.5**

(1) As of December 31, 2016, 2017 and 2018, June 30, 2019 and October 31, 2019, we had net current assets of US$373.0 million, US$727.4 million, US$130.6 million, US$151.5 million and US$430.5 million, respectively. Our net current assets increased by 95.0% from US$373.0 million as of December 31, 2016 to US$727.4 million as of December 31, 2017, primarily due to the acquisition of SharkNinja and the consolidation of its net current assets. Our net current assets decreased significantly from US$727.4 million as of December 31, 2017 to US$130.6 million as of December 31, 2018, primarily due to the reclassification of our long-term interest-bearing bank borrowings to short-term interest-bearing bank borrowings pursuant to their remaining terms. We had net current assets of US$130.6 million, US$151.5 million and US$430.5 million, respectively, as of December 31, 2018, June 30, 2019 and October 31, 2019. Our net current assets increased by 184.2% from US$151.5 million as of June 30, 2019 to US$430.5 million as of October 31, 2019, primarily due to the repayment of a short-term loan from shareholders with long-term interest bearing bank borrowings.

Inventories

Our inventories primarily include raw materials and finished goods. The following table sets forth the breakdown of our inventories as of the dates indicated (which are stated net of provision) and the turnover of average inventories for the periods indicated:

	As of and for the year ended December 31,			As of and for the six months ended
	2016	2017	2018	June 30, 2019
	(in US$ millions, except turnover days)			
Finished goods	48.3	252.0	324.3	299.1
Raw materials	13.1	22.9	28.3	33.7
Impairment	(1.9)	(2.7)	(2.7)	(2.8)
Total	**59.5**	**272.2**	**349.9**	**330.0**
Turnover of average inventories (days)(1)	35	58	67	80

(1) Average inventories equal inventories at the beginning of the period plus inventories at the end of the period, divided by two. Turnover of average inventories equals average inventories divided by cost of sales and multiplied by the number of days in the period. Potential investors are cautioned that the turnover of average inventories in 2016, 2017 and 2018 is not directly comparable because the cost of sales used in calculating the turnover of average inventories are not directly comparable as a result of the acquisition of SharkNinja in September 2017 and the significant expansion of business afterwards.

Our inventories totaled US$59.5 million, US$272.2 million, US$349.9 million and US$330.0 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively. As of October 31, 2019, US$278.5 million, or 84.4%, out of our inventories as of June 30, 2019 had been sold.

The turnover of average inventories for SharkNinja segment is generally slower compared to Joyoung segment, because the turnover of average inventories for SharkNinja segment needs to factor in the transportation time from China to the United States, the United Kingdom and other international markets.

Joyoung Segment

The table below sets forth the breakdown of our inventories for Joyoung segment as of the dates indicated, as well as the turnover of average inventories for Joyoung segment for the periods indicated:

	As of and for the year ended December 31,			As of and for six months ended June 30, 2019
	2016	2017	2018	
	(in US$ millions, except turnover days)			
Finished goods	47.9	57.8	80.9	60.7
Raw materials	12.7	22.3	28.3	33.7
Impairment	(1.8)	(0.7)	(0.5)	(0.4)
Total	**58.8**	**79.4**	**108.7**	**94.0**
Turnover of average inventories (days)[(1)]	35	35	42	48

(1) Average inventories equal inventories at the beginning of the period plus inventories at the end of the period, divided by two. Turnover of average inventories equals average inventories divided by cost of sales and multiplied by the number of days in the period.

As of October 31, 2019, US$87.1 million out of our inventory balance for Joyoung segment as of June 30, 2019 had been sold.

The inventories decreased from US$108.7 million as of December 31, 2018 to US$94.0 million as of June 30, 2019, primarily due to (i) the popularity and higher sales volume of high-performance multifunctional blenders and soymilk makers in the first half of 2019; and (ii) the relatively high volume of inventories as of December 31, 2018 in preparation for Chinese New Year. The average inventory turnover days increased from 42 days to 48 days, primarily due to the relatively higher average inventories in the first half of 2019 than that of 2018 as a result of the consolidation of inventories from SharkNinja (China), which was only incorporated in February 2018.

The inventories increased from US$79.4 million as of December 31, 2017 to US$108.7 million as of December 31, 2018, primarily due to (i) our business growth; and (ii) increase in stock preparing for the sales during the New Year and the Chinese New Year, given the date of the Chinese New Year is earlier in 2019 than in 2018. For the same reason, the average inventory turnover days increased from 35 days in 2017 to 42 days in 2018.

The increase in the inventories from US$58.8 million as of December 31, 2016 to US$79.4 million as of December 31, 2017 was primarily due to a combination of (i) stock up on inventories to support our increased sales; and (ii) an increase in raw materials because we increased procuring key components for the production of our OEM suppliers for quality control and enhanced control on the supply chain. The average inventory turnover days remained at 35 days for 2016 and 2017, respectively. See "Business—Procurement and Production—Logistics and Inventory."

SharkNinja Segment

The table below sets forth a summary of SharkNinja's inventories as of the dates indicated, as well as the turnover of average inventories for SharkNinja segment for the periods indicated:

	Pre-acquisition			Post-acquisition		
	As of and for the financial year ended March 31, 2016 (Predecessor Financial Year 2016)	As of and for the financial year ended March 31, 2017 (Predecessor Financial Year 2017)	As of and for the period ended September 28, 2017 (Predecessor Period 2017)	As of and for the period ended December 31, 2017 (Successor Period 2017)	As of and for the year ended December 31, 2018	As of and for the six months ended June 30, 2019
	(in US$ millions, except turnover days)			(in US$ millions, except turnover days)		
Finished goods	164.9	174.6	230.9	193.4	243.4	238.4
Impairment	(4.8)	(2.6)	(2.3)	(1.9)	(2.2)	(2.4)
Total	**160.1**	**172.0**	**228.6**	**191.5**	**241.2**	**236.0**
Turnover of average inventories (days)[1]	65	78	N/A[2]	N/A[2]	91	109

(1) Average inventories equal inventories at the beginning of the period plus inventories at the end of the period, divided by two. Turnover of average inventories equals average inventories divided by cost of sales and multiplied by the number of days in the period.

(2) Turnover of average inventories for Predecessor Period 2017 and Successor Period 2017 was not available because it was largely affected by seasonality, and may not provide meaningful information to potential investors.

As of October 31, 2019, US$191.4 million out of our inventories for SharkNinja segment as of June 30, 2019 had been sold.

The inventories remained relatively stable at US$241.2 million and US$236.0 million as of December 31, 2018 and June 30, 2019, respectively. The average inventory turnover days increased from 91 days to 109 days, primarily due to the seasonality of our business whereby sales and consequently, cost of sales, in the second half of the year are typically higher than that in the first half, thereby increasing average inventory turnover days as of June 30 compared to December 31.

The inventories increased from US$191.5 million as of December 31, 2017 to US$241.2 million as of December 31, 2018 primarily due to (i) growth of our business; and (ii) increased inventories imported to the United States in anticipation of the potential customs duties increase. The average inventory turnover days were 91 days for 2018.

The inventories increased from US$160.1 million as of March 31, 2016 to US$172.0 million as of March 31, 2017, and increased further to US$228.6 million as of September 28, 2017, mainly due to the seasonality of our business given the fourth quarter typically has the highest sales of the year.

The average inventory turnover days increased from 65 days in Predecessor Financial Year 2016 to 78 days in Predecessor Financial Year 2017, primarily because of (i) increased inventories related to our UK business in anticipation of our business development in that market; and (ii) increased inventories on certain products, mainly food preparation appliances, as a result of lower sales in that product category across the market. See "Business—Procurement and Production—Logistics and Inventory."

Trade and Bill Receivables

The table below sets forth the breakdown of our trade and bill receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Trade receivables[1]	17.6	366.3	426.8	372.8
Bill receivables	208.6	264.1	349.3	177.2
Impairment	(1.7)	(2.9)	(3.4)	(4.3)
Total	**224.5**	**627.5**	**772.7**	**545.7**

(1) Included amounts due from our associates of US$10.7 million, US$14.2 million, US$21.5 million and US$12.6 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively. The amounts due from our associates are repayable on credit term similar to those offered to our major customers.

The table below sets forth the breakdown of our trade and bill receivables by segment as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Joyoung segment	224.5	287.1	367.8	227.0
SharkNinja segment	—	340.3	404.9	318.7
Others segment	—	0.1	—	—
Total	**224.5**	**627.5**	**772.7**	**545.7**

Our trading terms with customers in China are mainly on payment in advance, while for customers in the United States and the United Kingdom, credit is generally granted for 30 to 60 days. Taking into consideration various factors such as their historical payment records, transaction size, business performance and market positions, our credit terms to each customer vary. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade and bill receivables are non-interest-bearing. See "Business—Our Suppliers."

The table below sets forth an aging analysis of our trade and bill receivables as of the dates indicated, based on the invoice date, net of impairment and the average trade and bill receivables turnover days for the periods indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Within six months	219.1	622.6	768.4	543.2
Six months to one year	5.2	4.3	3.4	2.1
One to two years	0.2	0.5	0.7	0.4
Over two years	—	0.1	0.2	—
Total	**224.5**	**627.5**	**772.7**	**545.7**
Turnover of average trade and bill receivables (days)[1]	79	99	95	97

(1) Average trade and bill receivables equals trade and bill receivables (net of impairment) at the beginning of the period plus trade and bill receivables at the end of the period, divided by two. Turnover of average trade and bill receivables equals average trade and bill

receivables divided by revenue and then multiplied by the number of days in the period. Potential investors are cautioned that the turnover of average trade and bill receivables in 2016, 2017 and 2018 is not directly comparable because the revenue used in calculating the turnover of average trade and bill receivables are not directly comparable as a result of the acquisition of SharkNinja in September 2017 and the significant expansion of business afterwards.

As of December 31, 2016, 2017, 2018 and June 30, 2019, 97.6%, 99.2%, 99.4% and 99.5% of the trade and bill receivables were due within six months.

As of October 31, 2019, US$490.7 million, or 89.9%, out of the trade and bill receivables as of June 30, 2019 had been collected.

Trade Receivables

The balance of trade receivables represented the amount of outstanding receivables from our customers. Our trade receivables increased from US$17.6 million as of December 31, 2016 to US$366.3 million as of December 31, 2017, primarily due to the acquisition of SharkNinja and the consolidation of its trade receivables. Our trade receivables further increased to US$426.8 million as of December 31, 2018 primarily due to our increased sales. Our trade receivables decreased from US$426.8 million as of December 31, 2018 to US$372.8 million as of June 30, 2019, primarily due to the seasonality of the SharkNinja segment which has higher sales in the fourth quarter of the year than in the second quarter of the year, leading to a higher trade receivables balance as of December 31 compared to June 30.

Our trade receivables included amounts due from our associates of US$10.7 million, US$14.2 million, US$21.5 million and US$12.6 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively. Our amounts due from our associates as of December 31, 2016, 2017, 2018 and June 30, 2019 arose from transactions during our ordinary course of business. See "Connected Transactions."

Bill Receivables

Bill receivables represent bills delivered by our customers for settlement. Our bill receivables increased from US$208.6 million as of December 31, 2016 to US$264.1 million as of December 31, 2017, and further to US$349.3 million as of December 31, 2018, primarily due to (i) our increased sales; and (ii) an increase in the number of our customers using bills for settlement. Our bill receivables decreased from US$349.3 million as of December 31, 2018 to US$177.2 million as of June 30, 2019, primarily due to the decrease in bill receivables as a result of the maturity of a large amount of our bills at the end of June 2019.

Joyoung Segment

The table below sets forth information on the trade and bill receivables and the average turnover days of Joyoung segment as of the dates and for the periods indicated:

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2016	2017	2018	2019
Trade receivables (in US$ millions)	15.9	23.0	18.5	49.8
Bill receivables (in US$ millions)	208.6	264.1	349.3	177.2
Total (in US$ millions)	**224.5**	**287.1**	**367.8**	**227.0**
Turnover of average trade and bill receivables (days)[1]	81	89	101	94

(1) Average trade and bill receivables equal trade and bill receivables (net of impairment) at the beginning of the period plus trade and bill receivables at the end of the period, divided by two. Turnover of average trade and bill receivables equals average trade and bill receivables divided by revenue and then multiplied by the number of days in the period.

We typically require our customers to pay in advance, before we deliver our products. We may grant a credit term of typically 30 days to our selected distributors considering, among other things, their historical payment records, transaction size, business performance and market positions. During the Track Record Period, we have increased our acceptance to the use of bills for settlement by our customers, depending on our working capital needs and liquidity management. Compared to trade receivables, bill receivables have a stronger liquidity.

The amount of trade and bill receivables for Joyoung segment increased from US$224.5 million as of December 31, 2016 to US$287.1 million as of December 31, 2017, and increased further to US$367.8 million as of December 31, 2018, primarily due to (i) increased sales and (ii) increased use of bills for settlement. As a result, its turnover days increased from 81 days in 2016 to 89 days in 2017, and further to 101 days in 2018. The amount of trade and bill receivables for Joyoung segment decreased from US$367.8 million as of December 31, 2018 to US$227.0 million as of June 30, 2019, primarily due to the decrease in bill receivables, which was partially offset by the increase in trade receivables, due to (i) the increased revenue during the corresponding period, and (ii) increased sales at sales promotions and our own flagship stores. Its turnover days decreased from 101 days to 94 days, primarily due to the reduction of bill receivables which by nature generally have longer turnover days compared to trade receivables.

As of October 31, 2019, US$178.0 million out of the trade and bill receivables of Joyoung segment as of June 30, 2019 had been collected.

SharkNinja Segment

The table below sets forth information on the trade receivables and the average turnover days of SharkNinja segment as of the dates and for the periods indicated:

	Pre-acquisition			Post-acquisition		
	As of and for the financial year ended March 31, 2016 (Predecessor Financial Year 2016)	As of and for the financial year ended March 31, 2017 (Predecessor Financial Year 2017)	As of and for the period ended September 28, 2017 (Predecessor Period 2017)	As of and for the period ended December 31, 2017 (Successor Period 2017)	As of and for the year ended December 31, 2018	As of and for the six months ended June 30, 2019
Trade receivables (in US$ millions)	233.3	234.2	302.5	340.3	404.9	318.7
Turnover of average trade receivables (days)[1]	58	63	N/A[2]	N/A[2]	92	99

(1) Average trade receivables equal trade receivables (net of impairment) at the beginning of the period plus trade receivables at the end of the period, divided by two. Turnover of average trade receivables equals average trade receivables divided by revenue and then multiplied by the number of days in the period.

(2) Turnover of average trade receivables for Predecessor Period 2017 and Successor Period 2017 was not available because it was largely affected by seasonality, and may not provide meaningful information to potential investors.

The credit period given by SharkNinja segment to its customers is generally 30 to 60 days. The average trade receivables turnover days may be higher than 60 days due to the seasonality of our business. In particular, in North America and Europe, the fourth quarter typically has the highest sales of the year, leading to large trade receivables as of December 31 of each year. In addition, trade

receivables as of December 31 and for the year ended December 31 are not directly comparable with those as of March 31 and for the year ended March 31.

The trade receivables for SharkNinja segment decreased from US$404.9 million as of December 31, 2018 to US$318.7 million as of June 30, 2019, primarily due to the seasonality of our business as mentioned above, whereby sales in the fourth quarter are typically higher than those in the rest of the year which leads to a higher trade receivables balance as of December 31. The average trade receivables turnover days for SharkNinja segment increased from 92 days in 2018 to 99 days in the six months ended June 30, 2019, primarily due to the seasonality of our business, whereby the first half of the year contributes to a lower percentage of total annual sales compared to the second half of the year.

The trade receivables for SharkNinja segment increased from US$340.3 million as of December 31, 2017 to US$404.9 million as of December 31, 2018 and the average trade receivables turnover days for SharkNinja segment were 92 days in 2018, primarily affected by seasonality as mentioned above.

The trade receivables for SharkNinja segment increased from US$233.3 million as of March 31, 2016 to US$234.2 million as of March 31, 2017, and increased further to US$302.5 million as of September 28, 2017. The average trade receivables turnover days for SharkNinja segment increased from 58 days in Predecessor Financial Year 2016 to 63 days in Predecessor Financial Year 2017. Our trade receivables for SharkNinja segment and its turnover days remained relatively stable as of and for the fiscal years ended March 31, 2016 and 2017. See "Business—Procurement and Production—Logistics and Inventory."

As of October 31, 2019, US$312.7 million out of the trade receivables of SharkNinja segment as of June 30, 2019 had been collected.

Prepayments, Other Receivables and Other Assets

Our prepayments and other receivables mainly consist of (i) indemnification assets representing the amount of indemnification we estimate to recover from the former shareholders of SharkNinja for the ongoing litigation and tax liabilities that we assumed in the acquisition of SharkNinja; (ii) due from related companies; (iii) deposits and other receivables; and (iv) right-of-return assets in relation to our right to recover the goods expected to be returned by customers. The table below sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Deposits and other receivables	4.7	13.6	13.2	33.0
Indemnification assets	—	50.9	24.3	23.9
Due from related companies[1]	103.5	130.2	13.7	21.8
Prepayments	1.1	8.4	12.4	13.1
Right-of-return assets	—	2.0	2.7	2.4
Income tax recoverable	—	15.4	0.4	8.2
	109.3	220.5	66.7	102.4
Impairment allowance	(0.5)	(0.9)	(1.2)	(1.2)
Total	**108.8**	**219.6**	**65.5**	**101.2**

(1) Included in the amounts due from related parties were (i) trade payment from associates of US$0.7 million, US$0.6 million, US$1.7 million and US$5.3 million, respectively, as of December 31, 2016, 2017, 2018 and June 30, 2019, (ii) the non-trade amounts due from

shareholders of US$102.8 million, US$128.2 million, US$6.4 million and US$10.6 million, respectively, as of December 31, 2016, 2017, 2018 and June 30, 2019, in relation to advances to minority shareholders by one of our subsidiaries, and (iii) the non-trade amounts due from related parties of nil, US$1.3 million, US$5.7 million and US$5.9 million, respectively, as of December 31, 2016, 2017, 2018 and June 30, 2019, in relation to disposal of financial assets.

Our prepayments, other receivables and other assets increased from US$65.5 million as of December 31, 2018 to US$101.2 million as of June 30, 2019, as a combination of the following factors: (i) an increase in deposits and other receivables as a result of increased payment for channel expansion; and (ii) an increase in amounts due from related companies as a result of increased trade-related prepayment and increased borrowing to a related party.

Our prepayments, other receivables and other assets decreased from US$219.6 million as of December 31, 2017 to US$65.5 million as of December 31, 2018, as a combination of the following factors: (i) a decrease in our due from related companies, as a result of settlement of advances to shareholders by one of our subsidiaries; (ii) a decrease in indemnification assets as a result of payments by former shareholders of SharkNinja in relation to their indemnification for certain litigations and tax; and (iii) a decrease in income tax receivables because we recorded an income tax receivables in 2017 for a refund in income tax. See "—Description of Major Components of Consolidated Income Statement—Income Tax." The decreases were partially offset by an increase in prepayments in 2018, which reflected our agreement with the suppliers to lock the supply of raw materials to us at current prices to avoid price increases.

Our prepayments, other receivables and other assets increased from US$108.8 million as of December 31, 2016 to US$219.6 million as of December 31, 2017, as a combination of the following factors: (i) we recorded indemnification assets, right-of-return assets and income tax receivables in 2017 after our acquisition of SharkNinja; and (ii) we recorded increased due from related companies as a result of an increase in non-operational related advances to minority shareholders by our subsidiary.

Financial Assets at Fair Value Through Profit or Loss/Financial Assets Designated at Fair Value Through Other Comprehensive Income

During the Track Record Period, we held financial assets principally of equity investments and financial products, which can be categorized as our current or non-current assets. The table below sets forth information of our investments classified as financial assets at fair value:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ million)			
Unlisted financial assets, at fair value through profit or loss:				
Non-current – equity investments[1]	53.4	67.7	60.8	59.0
Current – financial products[2]	156.0	46.6	15.9	50.4
Sub-total	**209.4**	**114.3**	**76.7**	**109.4**
Unlisted financial assets, at fair value through other comprehensive income:				
Non-current – equity investments[3]	24.2	31.9	35.6	35.7
Total	**233.6**	**146.2**	**112.3**	**145.1**

(1) The equity investments were classified as financial assets at fair value through profit or loss as they were held for trading, which are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including investment funds and

unlisted equity investments issued, and can be transferred in China in accordance with the entrusted agreements entered into between the parties involved.

(2) The investments in financial products (current portion) as of December 31, 2016, 2017, 2018 and June 30, 2019 were products issued by banks in China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The investments were measured at fair value through profit or loss as of December 31, 2016, 2017, 2018 and June 30, 2019, with a corresponding gain on change in fair value of US$17.9 million, US$5.7 million, US$0.7 million and US$6.0 million, respectively, credited to other income and gains in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

(3) The equity investments were irrevocably designated at fair value through other comprehensive income at the end of each reporting period as we consider these investments to be strategic in nature. The fair value changes in these investments resulted in a loss (net of tax) of US$6.4 million in 2016, a gain (net of tax) of US$4.8 million and US$4.3 million in 2017 and 2018, respectively, and nil for the six months ended June 30, 2019, recorded in other comprehensive income.

Trade and Bill Payables

Trade and bill payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

The table below sets forth the breakdown of our trade and bill payables by segment as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Joyoung segment	177.0	141.9	224.3	236.3
SharkNinja segment	—	112.4	184.3	100.4
Others segment	3.6	7.8	—	—
Total	**180.6**	**262.1**	**408.6**	**336.7**

The following table sets forth an aging analysis of our trade and bill payables as of the dates indicated and the average trade and bill payables turnover days for the periods indicated:

	As of and for the year ended December 31,			As of and for the six months ended
	2016	2017	2018	June 30, 2019
	(in US$ millions, except turnover days)			
Within one year	179.0	260.7	408.3	335.5
One to two years	0.9	0.6	0.3	1.2
Two to three years	0.4	0.2	—	—
Over three years	0.3	0.6	—	—
Total	**180.6**	**262.1**	**408.6**	**336.7**
Turnover of average trade and bill payables (days)[1]	105	77	73	87

(1) Average trade and bill payables equals trade and bill payables (net of impairment) at the beginning of the period plus trade and bill payables at the end of the period, divided by two. Turnover of average trade and bill payables equals average trade and bill payables divided by cost of sales and then multiplied by the number of days in the period. Potential investors are cautioned that because the cost of sales used in calculating the turnover of average trade and bill payables are not directly comparable as a result of the acquisition of SharkNinja in September 2017 and the significant expansion of business afterwards.

Our trade and bill payables increased from US$180.6 million as of December 31, 2016 to US$262.1 million as of December 31, 2017, primarily due to the consolidation of SharkNinja's trade payables into our Group following the acquisition in September 2017. Our trade and bill payables further increased to US$408.6 million as of December 31, 2018, primarily due to the optimization of our payment arrangement by using more bill payables instead of cash. Our trade and bill payables decreased from US$408.6 million as of December 31, 2018 to US$336.7 million as of June 30, 2019,

primarily attributable to a decrease in trade and bill payables of SharkNinja segment due to the seasonality in its sales and consequently a relatively high amount of trade payables as of December 31, 2018.

Our average trade and bill payables turnover days decreased from 105 days in 2016 to 77 days in 2017, and further to 73 days in 2018, primarily due to the consolidation of SharkNinja's trade payables into our Group following its acquisition in September 2017, as the average turnover days of SharkNinja segment's trade payables are generally shorter than those of Joyoung segment. Our average turnover days increased from 73 days in 2018 to 87 days in the six months ended June 30, 2019, primarily attributable to an increase in trade and bill payables turnover days of Joyoung segment as it increased the utilization of bills to settle payment to enhance working capital efficiency.

Our trade and bill payables included trade payables due to associates of US$50.8 million, US$46.5 million, US$31.8 million and US$17.8 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively, which are repayable within 90 days. Such trade payables due to associates arose from transactions during our ordinary course of business, which were on credit terms similar to those offered by the associates to their major customers. Such trade payables due to associates are non-interest-bearing and are normally settled within 90 days.

As of October 31, 2019, US$299.8 million out of our trade and bill payables as of June 30, 2019 had been settled.

Joyoung Segment

The table below sets forth information on the trade and bill payables and the average turnover days of Joyoung segment as of the dates and for the periods indicated:

	As of and for the year ended December 31,			As of and for the six months ended
	2016	2017	2018	June 30, 2019
Trade payables (in US$ millions)	152.5	140.7	166.3	121.0
Bill payables (in US$ millions)	24.5	1.2	58.0	115.3
Total (in US$ millions)	**177.0**	**141.9**	**224.3**	**236.3**
Turnover of average trade and bill payables (days)[1]	105	81	84	110

(1) Average trade and bill payables equal trade and bill payables at the beginning of the period plus trade and bill payables at the end of the period, divided by two. Turnover of average trade and bill payables equals average trade and bill payables divided by cost of sales and then multiplied by the number of days in the period.

Trade and bill payables for Joyoung segment decreased from US$177.0 million as of December 31, 2016 to US$141.9 million as of December 31, 2017, primarily due to settlement of payables at the end of the year. Trade and bill payables for Joyoung segment increased further to US$224.3 million as of December 31, 2018, primarily due to (i) our increased purchase from OEM suppliers due to increased sales; and (ii) optimization of our payment arrangement by using more bill payables instead of cash. Trade and bill payables for Joyoung segment increased from US$224.3 million as of December 31, 2018 to US$236.3 million as of June 30, 2019, primarily due to the increase of bill payables as a result of our increased use of bills to settlement our payments, as part of our efforts in enhancing our working capital efficiency, which was partially offset by the decrease in trade payables as a result of reduced inventories and fewer purchases. The average trade and bill

payables turnover days were 105 days, 81 days, 84 days and 110 days in 2016, 2017, 2018 and the six months ended June 30, 2019, respectively. During the Track Record Period, we increased the use of bills to enhance the flexibility of our cash management.

As of October 31, 2019, US$199.4 million out of the trade and bill payables of Joyoung segment as of June 30, 2019 had been settled.

SharkNinja Segment

The table below sets forth information on the trade payables and the average turnover days of SharkNinja segment as of the dates and for the periods indicated:

	Pre-acquisition			Post-acquisition		
	As of and for the financial year ended March 31, 2016 (Predecessor Financial Year 2016)	As of and for the financial year ended March 31, 2017 (Predecessor Financial Year 2017)	As of and for the period ended September 28, 2017 (Predecessor Period 2017)	As of and for the period ended December 31, 2017 (Successor Period 2017)	As of and for the year ended December 31, 2018	As of and for the six months ended June 30, 2019
Trade payables (in US$ millions)	40.0	57.2	161.7	112.4	184.3	100.4
Turnover of average trade payables (days)[1]	22	23	N/A[2]	N/A[2]	62	65

(1) Average trade payables equal trade payables at the beginning of the period plus trade payables at the end of the period, divided by two. Turnover of average trade payables equals average trade payables divided by cost of sales and then multiplied by the number of days in the period.

(2) Turnover of average trade payables for Predecessor Period 2017 and Successor Period 2017 was not available because it was largely affected by seasonality, and may not provide meaning information to potential investors.

Trade payables and its average turnover days for SharkNinja segment for the fiscal years ended March 31, 2016 and 2017 remained relatively stable. Trade payables for SharkNinja segment as of September 28, 2017 and December 31, 2017 were largely affected by seasonality and were relatively high due to the sales peak. Trade payables for SharkNinja segment as of December 31, 2018 amounted to US$184.3 million and was relatively high, primarily due to (i) the higher sales contribution in the fourth quarter of each year, and (ii) increased purchases for inventories in anticipation of the potential customs duties increase. Accordingly, the average trade payables turnover days were 62 days. Trade payables for SharkNinja segment decreased from US$184.3 million as of December 31, 2018 to US$100.4 million as of June 30, 2019, primarily due to the relatively high amount of trade payables as of December 31, 2018 as mentioned above. The average trade payables turnover days increased from 62 days in 2018 to 65 days in the six months ended June 30, 2019, primarily due to the seasonality of our business which leads to lower cost of sales in the first half of the year.

As of October 31, 2019, US$100.4 million out of the trade and bill payables of SharkNinja segment as of June 30, 2019 had been settled.

Other Payables and Accruals

The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Accruals	36.1	209.7	122.4	72.1
Contract liabilities[1]	33.8	19.2	60.7	22.7
Refund liabilities	20.5	107.3	134.4	123.6
Dividend payable	—	—	3.2	3.8
Provisions	10.6	16.3	19.9	18.6
Due to related companies	0.3	0.3	7.1	484.2
Deferred revenue	—	1.3	—	—
Other payables[2]	17.8	17.2	16.4	32.5
Total	**119.1**	**371.3**	**364.1**	**757.5**

(1) Contract liabilities include short-term advances received from delivering household appliances and rendering extended warranty services. Contract liabilities include short-term advances received from related companies of US$2.8 million, US$1.0 million, US$1.0 million and US$0.8 million as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively.

(2) Other payables are non-interest-bearing and have an average term of three months.

Our other payables and accruals increased from US$364.1 million as of December 31, 2018 to US$757.5 million as of June 30, 2019, primarily due to a substantial increase in amounts due to related companies as part of our financial arrangements in the process of Reorganization. For details, see "History, Reorganization and Corporate Structure—Reorganization" and "Financial Information—Indebtedness."

Our other payables and accruals remained relatively stable at US$371.3 million as of December 31, 2017 and US$364.1 million as of December 31, 2018.

Our other payables and accruals increased substantially from US$119.1 million as of December 31, 2016 to US$371.3 million as of December 31, 2017, primarily due to the acquisition of SharkNinja, particularly, (i) a substantial increase in accruals for the contingent liabilities and employee expenses; and (ii) a substantial increase in refund liabilities for sales rebate and return.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We have historically met our working capital and other capital requirements principally with a combination of (i) capital contributions by shareholders and third-party investors, (ii) shareholder loans, (iii) bank borrowings, and (iv) cash generated from our operations. The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated. See "Appendix I—Accountants' Report."

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in US$ millions)			(unaudited)	
Net cash flows from operating activities	152.0	51.9	233.9	127.1	75.8
Net cash flows used in investing activities	(69.3)	(1,213.2)	(9.9)	9.0	(62.7)
Net cash flows from/(used in) financing activities	(121.1)	1,250.1	(260.8)	(113.6)	(42.2)
Net increase/(decrease) in cash and cash equivalents	**(38.4)**	**88.8**	**(36.8)**	**22.5**	**(29.1)**
Cash and cash equivalents at the beginning of the year/period	175.3	127.2	211.0	211.0	180.9
Effect of foreign exchange rate changes, net	(9.7)	(5.0)	6.7	(11.4)	0.7
Cash and cash equivalents at the end of the year/period	**127.2**	**211.0**	**180.9**	**222.1**	**152.5**

Operating Activities

Net cash from operating activities represents cash generated from operations minus income tax paid. Cash generated from operations reflects (i) profit before tax adjusted for non-cash and non-operating items, such as finance costs, depreciation, changes in carrying amount of financial liabilities associated with the put option and amortization of other intangible assets; (ii) movements in working capital, such as increase or decrease in trade and bill receivables, increase or decrease in trade and bill payables, increase or decrease in inventories and increase in other payables and accruals; and (iii) other cash items consisting of income tax paid and interest received.

Net cash from operating activities for the six months ended June 30, 2019 was US$75.8 million, which mainly reflected our profit before income tax of US$29.0 million, as adjusted by (i) a decrease in trade and bill receivables of US$225.7 million, primarily affected by seasonality resulting in lower trade and bill receivables as of June 30 compared to December 31, as well as due to a large amount of bills becoming due at the end of June 2019; (ii) a decrease in trade and bill payables of US$115.2 million, primarily attributable to a decrease in trade and bill payables of SharkNinja segment due to the seasonality in its sales and a relatively lower amount of trade payables as of June 30 compared to December 31; and (iii) a decrease in other payables and accruals of US$92.6 million due to a decrease in refund liabilities and accrued advertising expenses.

Net cash from operating activities for 2018 was US$233.9 million, which mainly reflected our profit before income tax of US$140.4 million, as adjusted by (i) an increase in trade and bill payables of US$172.5 million, primarily due to (a) increased purchases as a result of increased sales; and (b) the optimization of our payment arrangement by using more bill payable instead of cash; (ii) an increase in trade and bill receivables of US$187.8 million due to our increased sales and increased use of bills for settlement from our customers; (iii) an increase in inventories of US$79.2 million due to increased

stock imported to the United States in anticipation of the potential customs duties increase and increased stock for the Chinese New Year; and (iv) an increase in other payables and accruals of US$18.5 million for the purchase of our offices in Hangzhou. We purchased certain commercial properties for office use in Hangzhou in 2018, with an aggregate purchase amount of US$17.0 million, majority of which were paid by cash and the rest was recorded as other payables.

Net cash from operating activities in 2017 was US$51.9 million, which mainly reflected our profit before income tax of US$101.9 million, as adjusted by (i) a decrease in trade and bill payable of US$90.8 million, primarily due to settlement of our trade and bill payable; (ii) an increase in trade and bill receivables of US$80.0 million, primarily due to our increased sales; (iii) recognition of lease liabilities of US$64.2 million in relation to SharkNinja's office building in the United States; and (iv) recognition of right-of-use assets of US$62.7 million recorded in relation to SharkNinja's office building in the United States.

Net cash from operating activities for 2016 was US$152.0 million, which mainly reflected our profit before income tax of US$142.2 million, as adjusted by (i) a decrease in trade and bills receivables of US$61.4 million, primarily due to payments by our customers of the trade and bill receivables; (ii) a decrease in trade and bill payables of US$55.8 million, due to settlement of our trade and bill payable; and (iii) a decrease in inventories of US$23.7 million, largely affected by our inventory stock up schedules for the Chinese New Year.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019 was US$62.7 million, which was mainly attributable to purchases of financial assets at fair value through profit or loss of US$116.1 million for bank financial products, which were offset by the disposal of financial assets at fair value through profit or loss of US$83.8 million of bank financial products.

Net cash used in investing activities in 2018 was US$9.9 million, which was mainly attributable to (i) purchases of financial assets of US$170.3 million for primarily bank financial products; and (ii) purchase of property, plant and equipment of US$67.3 million for primarily our offices in Hangzhou, which were offset by the disposal of financial assets of US$187.5 million.

Net cash used in investing activities in 2017 was US$1,213.2 million, primarily due to (i) cash of US$1,300.4 million used in the acquisition of SharkNinja; and (ii) purchase of financial assets of US$427.7 million for primarily bank financial products; which were partially offset by disposal of financial assets of US$537.2 million.

Net cash used in investing activities in 2016 was US$69.3 million, primarily due to purchase of financial assets of US$331.3 million, which was partially offset by disposal of financial assets of US$297.2 million.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2019 was US$42.2 million, primarily due to repayment of bank loans of US$751.3 million, and an increase in pledged deposits to secure our bank loans, which were partially offset by an increase in amounts due to shareholders of US$477.1 million for the Reorganization, and new bank loans incurred in the amount of US$409.5 million in relation to the Reorganization.

Net cash used in financing activities in 2018 was US$260.8 million, primarily due to repayment of bank loans of US$121.1 million, interest paid of US$78.0 million, and a dividend paid of US$83.1 million, which were partially offset by new bank loans of US$93.2 million.

Net cash from financing activities in 2017 was US$1,250.1 million, primarily due to new bank loans of US$1,256.4 million incurred for the acquisition of SharkNinja.

Net cash used in financing activities in 2016 was US$121.1 million, primarily due to repayment of our bills payable of US$99.6 million and dividends paid of US$62.3 million.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(in US$ millions)				(unaudited)
Interest-bearing bank borrowings (current portion)	—	10.0	485.5	21.9	225.0
Interest-bearing bank borrowings (non-current partition)	—	1,193.7	699.7	828.5	1,140.1
Lease liabilities (current portion)	2.4	10.4	11.0	12.5	11.6
Lease liabilities (non-current portion)	4.0	57.3	52.6	57.1	54.1
Total	**6.4**	**1,271.4**	**1,248.8**	**920.0**	**1,430.8**

Interest-bearing Bank Borrowings

As of October 31, 2019, the latest practicable date for the purpose of the indebtedness statements, we had total indebtedness of US$1,430.8 million. As of the same date, we had banking facilities of US$800.0 million, of which US$45.8 million had not been utilized.

As of October 31, 2019, US$225.0 million, or 16.5% of our interest-bearing bank borrowings were due within one year. All of our bank borrowings incurred during the Track Record Period were secured with one or more of the following: shares, security interests, notes and corporate guarantees.

The table below sets forth the weighted average effective interest rates of our bank borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
				(%)	
Interest-bearing bank borrowings (current portion)	—	6.0	4.6	5.1	5.1
Interest-bearing bank borrowings (non-current partition)	—	5.2	7.0	6.7	6.3
Total	**—**	**5.2**	**6.0**	**6.0**	**5.8**

In September 2017, for the acquisition of SharkNinja, Zheng Hong obtained a bridge loan from ICBC Asia with a principal amount of up to US$470 million (and not exceeding 98% of the financing guarantee letter or standby letter of credit of equivalent amount). The annual interest rate is three-month LIBOR interest rate plus 1.55%. Such bridge loan was fully repaid on June 19, 2019, funded by, among others, the consideration received for disposal of Xiang Hong as contributed by JS Holding. See "History, Reorganization and Corporate Structure—Reorganization."

In September 2017, for the acquisition of SharkNinja, Compass and its two subsidiaries, as the borrowers, entered into a credit agreement with a banking syndicate. The credit agreement includes (a) tranche A term loans in an aggregate principal amount not in excess of US$225 million with an interest rate of LIBOR plus 3.25%, (b) tranche B term loans in an aggregate principal amount not in excess of US$455 million with an interest rate of LIBOR plus 4.00%, and (c) revolving loans, swingline loans and letters of credit, in each case at any time and from time to time during certain period such that the aggregate revolving exposure will not exceed US$225 million at any time, with an interest rate of LIBOR plus 2.75%.

On May 15, 2019, Sunshine Rise, as the borrower, entered into a facility agreement with China Merchants Bank Hong Kong Branch, as the lender, for a three-year RMB denominated term loan with a floating interest rate of RMB HIBOR plus 120 bps. A principal amount of RMB800 million was drawn down under this facility agreement on June 14, 2019 to fund the capital injection in Shanghai Lihong. Also see "History, Reorganization and Corporate Structure—Reorganization."

On June 16, 2019, as a step in the Reorganization, our Company, through JY-SN, acquired 100% equity interest in Xiang Hong from Chen Hong, using consideration of approximately US$470 million from the share subscription by JS Holding. Based on the commercial understanding and arrangement agreed among the existing shareholders of the Company during the Reorganization process, the Company and the shareholders entered into a shareholders' agreement, pursuant to which our Company has a contractual obligation to deliver no less than US$455.9 million but up to US$470 million cash to the shareholders on a pro rata basis before the Global Offering as special dividend, approximately US$271.7 million of which will be declared to JS Holding. As such, the consideration was an amount due to related companies under other payables and accruals instead of equity contribution from an accounting perspective. Such amount is interest free and has no fixed payment term. The special dividend was paid on October 16, 2019 and was funded by a term loan borrowed from a commercial bank with a principal amount of US$470 million. Upon distribution of the special dividend, such amount due to related companies has been eliminated.

Upon completion of the Reorganization on June 24, 2019, we had total interest-bearing bank borrowings of US$848.4 million, US$23.3 million of which were due within one year.

During the Track Record Period and up to the Latest Practicable Date, we had not been in default of these debt covenants that could cause any material adverse impact on our business operations.

We have not experienced any default or withdrawal or request for early repayment of bank borrowings during the Track Record Period.

Except as disclosed above, during the Track Record Period and up to October 31, 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Lease Liabilities

We adopted IFRS 16 using the full retrospective method since January 1, 2016. We elected to use the transition practical expedient allowing the standard to be applied only to contracts that were

previously identified as "leases" applying IAS 17 and IFRIC 4 at the date of initial application. We also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

We have lease contracts for various items of buildings, machinery, vehicles and other equipment. Upon the adoption of IFRS 16, we recognized right-of-use assets and corresponding lease liabilities in respect of all relevant leases, except for short-term leases and low-value assets. As of October 31, 2019, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of US$65.7 million.

Saved as disclosed in the prospectus, there has been no material adverse change in our indebtedness since October 31, 2019.

KEY FINANCIAL RATIOS

In addition to the measures presented in the consolidated financial statements, we use the following key financial ratios to evaluate our business, measure our performance, develop financial forecasts, and make strategic decisions. The following table sets forth certain key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Gross profit margin	31.9%	33.2%	37.3%	36.9%	37.4%
EBITDA margin[1]	14.1%	9.5%	11.3%	8.8%	9.3%
Adjusted EBITDA margin[2]	12.2%	12.6%	11.6%	9.0%	11.1%
Net profit margin	11.1%	9.0%	4.2%	1.8%	1.8%
Adjusted net profit margin[3]	9.2%	8.9%	5.6%	3.2%	4.7%

	As of and/or for the year ended December 31,			As of and/or for the six months ended June 30,
	2016	2017	2018	2019
Return on equity[4]	19.0%	23.6%	24.2%	N/A[5]
Gearing ratio[6]	0.01	2.13	2.70	2.07

(1) EBITDA margin equals EBITDA divided by revenue for the same year/period, multiplied by 100%.
(2) Adjusted EBITDA margin equals adjusted EBITDA divided by revenue for the same year/period, multiplied by 100%.
(3) For a reconciliation of profit for the year/period to adjusted net profit as we define this, see "—Non-IFRS Measures."
(4) Return on equity ratio is calculated using net profit divided by total equity at the end of the year/period, multiplied by 100%.
(5) This semi-annual number is not meaningful as it is not comparable to the annual numbers.
(6) Gearing ratio is calculated using total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity at the end of the year/period.

The following is a brief analysis of the salient aspects of the selected financial ratios:

Return on Equity

Our return on equity increased from 23.6% in 2017 to 24.2% in 2018, primarily due to a decrease in our equity by 22.5% from US$597.8 million in 2017 to US$463.0 million in 2018, which was primarily as a result of the dividend declared and paid by subsidiaries prior to the incorporation of our Company in the amount of US$173.6 million in 2018.

Our return on equity increased from 19.0% in 2016 to 23.6% in 2017, primarily due to an increase in net profit by 15.1% from US$122.4 million in 2016 to US$140.9 million in 2017 and a decrease in our Company's equity by 7.4% from US$645.6 million in 2016 to US$597.8 million in 2017. The increase in our net profit was primarily due to the acquisition of SharkNinja in September 2017 and the consolidation of its financial results since then. The decrease in our Company's equity was primarily due to (i) the addition to the put option reserve as a result of recognizing put option liability arising from the acquisition of SharkNinja, and (ii) the dividend declared and paid by subsidiaries prior to the incorporation of our Company of US$61.7 million in 2017.

Gearing Ratio

Our gearing ratio decreased from 2.70 as of December 31, 2018 to 2.07 as of June 30, 2019, primarily due to a decrease in total indebtedness from US$1,248.8 million as of December 31, 2018 to US$920.0 million as of June 30, 2019.

Our gearing ratio increased from 2.13 as of December 31, 2017 to 2.70 as of December 31, 2018, primarily due to a decrease in our Company's equity by 22.5% as mentioned above.

Our gearing ratio increased from 0.01 as of December 31, 2016 to 2.13 as of December 31, 2017, primarily due to the debt financing incurred for the acquisition of SharkNinja in 2017.

CONTINGENT LIABILITIES

On May 14, 2015, the Euro-Pro Group entered into a five-year agreement for advertising services that can be extended at Euro-Pro Group's option, if certain conditions are met, for two 24-month terms. The agreement can be terminated in the third year if net sales of products covered by the agreement are less than US$100,000,000, or upon default by the parties. Under the agreement, our Group is required to make annual payments of US$3,500,000, as well as pay additional contingent amounts based on a percentage of net sales, as defined in the agreement. As of December 31, 2018, the agreement was terminated early, and there were no contingent payments probable under the agreement.

OPERATING LEASE COMMITMENTS

We lease a number of commercial properties and warehouses under non-cancellable operating lease arrangements, with lease terms negotiated ranging from one to six years. The majority of these lease agreements are renewable at the end of the lease period at market rate.

We adopted IFRS 16 on January 1, 2016, replacing IAS 17 that we adopted prior to January 1, 2016. IFRS 16 primarily affected our accounting as a lessee of the lease for certain office premises which were currently classified as operating leases. Under IFRS 16, we recognized right-of-use assets and lease liabilities on our balance sheet for most leases which were classified as operating leases under IAS 17. Upon adoption of IFRS 16, we recognized right-of-use assets of US$1.3 million and lease liabilities of US$1.3 million as of January 1, 2016.

CAPITAL EXPENDITURES

Our capital expenditures consist of additions to property, plant and equipment, investment properties, prepaid land lease payments and other intangible assets, including assets from the acquisition of SharkNinja. In 2016, 2017, 2018 and the six months ended June 30, 2019, our capital expenditures amounted to US$11.6 million, US$727.8 million, US$97.7 million and US$46.0 million, respectively.

Following the Global Offering, we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures using cash flows generated from our operations and the net proceeds received from the Global Offering. See "Future Plans and Use of Proceeds."

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of financial risks. The main risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. Our Board reviews and agrees policies for managing each of these risks.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably likely change in interest rates, with all other variables held constant, of our profit before tax through the impact on floating rate borrowings and our equity. In 2016, 2017, 2018 and the six months ended June 30, 2019, if the interest rate increased or decreased by 1 basis point, with all other variables held constant, our profit before tax would have changed as below:

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(in US$ millions)			
Increased by 1 basis point	—	(2.8)	(11.3)	(6.9)
Decreased by 1 basis point	—	2.8	11.3	6.9

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by business units in currencies other than their respective functional currencies. Approximately 2%, 2%, 1.2%, 1.1% and 1.6% of our sales in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, respectively, were denominated in currencies other than the functional currencies of the business units making the sales.

In addition, we have currency exposures from our interest-bearing bank borrowings.

The following table demonstrates the sensitivity as of December 31, 2016, 2017, 2018 and June 30, 2019, to a reasonably likely change in US dollar, Renminbi and HK dollar exchange rate, with all other variables held constant, of our profit before tax due to changes in the fair values of monetary

assets and liabilities and our equity. As of December 31, 2016, 2017, 2018 and June 30, 2019, if the exchange rates between US dollar, our reporting currency, against Renminbi, our major transactional currency, weakened or strengthened by 5%, with all other variables held constant, our profit before tax would have changed as below:

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(in US$ millions)			
US dollar weakened against Renminbi	18.9	20.1	13.4	0.2
US dollar strengthened against Renminbi	(18.9)	(20.1)	(13.4)	(0.2)

Credit Risk

We are exposed to credit risk in relation to our trade receivables and other receivables, pledged deposits, and cash and cash equivalents.

We expect that there is no significant credit risk associated with pledged deposits, and cash and cash equivalents, since they are substantially deposited at state-owned banks and other institutions or large-sized listed banks. Our management does not expect that there will be any significant losses from non-performance by these counterparties.

We expect that the credit risk associated with trade receivables and other receivables due from related parties to be low, since our related parties generally have strong capacities to meet their contractual cash flow obligation in the near-term. Thus, we did not recognize any impairment provision during the Track Record Periods for the trade receivables and other receivables due from related parties.

We trade with recognized and creditworthy third parties. Concentrations of credit risk are managed through analysis by customer/counterparty. We do not face significant concentrations of credit risk as the customer base for our trade receivables and other receivables is widely dispersed. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Liquidity Risk

Liquidity risk is the risk originating from the difficulty in meeting financial obligations due to shortage of funds. Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance between continuity of funding to finance our working capital needs, as well as capital expenditure in respect of our development projects, and flexibility through the use of stand-by credit facilities.

The maturity profile of our financial liabilities as of December 31, 2016, 2017 and 2018 and June 30, 2019, based on contractual undiscounted payments, is as below:

December 31, 2016	Less than three months	Three to less than 12 months	One to five years	Over five years	Total
			(in US$ millions)		
Trade and bill payables	180.6	—	—	—	180.6
Financial liabilities included in other payables and accruals	18.1	—	—	—	18.1
Lease liabilities	0.7	2.0	4.1	0.6	7.4
	199.4	**2.0**	**4.1**	**0.6**	**206.1**

December 31, 2017	Less than three months	Three to less than 12 months	One to five years	Over five years	Total
			(in US$ millions)		
Interest-bearing bank borrowings	7.3	23.7	781.2	427.0	1,239.2
Trade and bill payables	262.1	—	—	—	262.1
Financial liabilities included in other payables and accruals	17.4	—	—	—	17.4
Lease liabilities	3.4	10.1	27.3	47.1	87.9
	290.2	**33.8**	**808.5**	**474.1**	**1,606.6**

December 31, 2018	Less than three months	Three to less than 12 months	One to five years	Over five years	Total
			(in US$ millions)		
Interest-bearing bank borrowings	7.7	492.1	274.9	424.8	1,199.5
Trade and bill payables	408.6	—	—	—	408.6
Financial liabilities included in other payables and accruals	23.4	—	—	—	23.4
Lease liabilities	3.5	10.3	25.8	42.0	81.6
	443.2	**502.4**	**300.7**	**466.8**	**1,713.1**

June 30, 2019	Less than three months	Three to less than 12 months	One to five years	Over five years	Total
			(in US$ millions)		
Interest-bearing bank borrowings	13.9	50.7	443.3	428.5	936.4
Trade and bill payables	336.7	—	—	—	336.7
Financial liabilities included in other payables and accruals	509.6	—	—	—	509.6
Lease liabilities	4.6	10.9	28.4	43.6	87.5
	864.8	61.6	471.7	472.1	1,870.2

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited *pro forma* adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity owners of our Company as of June 30, 2019 as if the Global Offering had taken place on that date.

The unaudited *pro forma* adjusted net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the

consolidated net tangible assets of the Group, had the Global Offering been completed as of June 30, 2019 or at any future dates. The unaudited *pro forma* adjusted net tangible assets are prepared based on the audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as of June 30, 2019 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I and adjusted as described below:

	Consolidated net tangible liabilities attributable to Shareholders of our Company as of June 30, 2019[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to shareholders of our Company[3]	Unaudited pro forma adjusted consolidated net tangible liabilities per share[4]	
	US$'000	US$'000	US$'000	(US$)	(HK$)[5]
Based on the Offer Price of HK$5.20 per Offer Share	(1,252,840)	303,113	(949,727)	(0.29)	(2.23)

(1) The consolidated net tangible liabilities attributable to owners of the Company as at June 30, 2019 are based on the consolidated equity attributable to owners of the Company in the amount of US$205.6 million and adjusted intangible assets in the amount of US$1,458.5 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$5.20 per Offer Share, respectively, after deduction of the estimated underwriting fees and other listing expenses payable by the Company, taking no account of any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible liabilities do not take into account the operational results or other transaction of the Group subsequent to June 30, 2019.

(4) The unaudited pro forma adjusted net tangible liabilities per share is arrived at after the adjustment referred to in note (2) above and on the basis that 3,332,198,177 shares were in issue assuming that the Global Offering had been completed on June 30, 2019 and that Over-allotment Option for the Global Offering is not exercised.

(5) For the purpose of this unaudited pro forma adjusted net tangible liabilities, the amounts stated in US dollars are converted into Hong Kong dollars at a rate of US$1.00 to HK$7.8281. No representation is made that US dollars amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

UNAUDITED INTERIM RESULTS OF JOYOUNG SUBSEQUENT TO THE TRACK RECORD PERIOD

On October 31, 2019, Joyoung announced its unaudited interim results for the third quarter of 2019, in accordance with the applicable disclosure requirements for A-share listed companies, on the website of the Shenzhen Stock Exchange (www.szse.cn):

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF JOYOUNG

	For the nine months ended September 30,	
	2018	2019
	(in RMB'000)	
REVENUE	**5,438,133**	**6,254,990**
Cost of sales	(3,676,560)	(4,232,275)
Taxes and surcharges	(30,556)	(23,714)
Selling and distribution expenses	(888,198)	(895,669)
Administrative expenses	(179,761)	(254,648)
Research and development expenses	(193,514)	(210,929)
Finance costs	16,078	6,979
Other income	32,651	26,734
Investment income	131,355	52,824
Gain on fair value change	—	1,588
Loss on credit impairment	—	(8,578)
Loss on assets impairment	(12,167)	(7,617)
Gain on disposal of assets	12,720	6,299
OPERATING PROFIT	**650,181**	**715,984**
Non-operating income	8,923	9,388
Non-operating expenses	(6,375)	(12,184)
PROFIT BEFORE TAX	**652,729**	**713,188**
Income tax expenses	(87,374)	(105,610)
PROFIT FOR THE PERIOD	**565,355**	**607,578**
Net profit from continuing operation	563,910	607,578
Net profit from discontinued operation	1,445	—
Profit attributable to owners of the parent	569,207	617,828
Loss attributable to non-controlling interests	(3,852)	(10,250)
Exchange differences on translation of foreign operations	(2,275)	7,425
Total comprehensive income	**563,080**	**615,003**
Total comprehensive income attributable to the owners of parent	566,933	625,253
Total comprehensive income attributable to the non-controlling interests	(3,853)	(10,250)
Earnings per share:		
Basic earnings per share	0.74	0.81
Diluted earnings per share	0.74	0.81

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF JOYOUNG

	As of December 31, 2018	As of September 30, 2019
	(in RMB'000)	
CURRENT ASSETS		
Cash and cash equivalents	1,090,753	1,069,963
Bills receivable	2,401,908	1,254,861
Trade receivables	170,334	481,165
Prepayments	50,140	95,056
Other receivables	26,309	30,276
Inventories	747,355	707,698
Assets held for sale	120,000	—
Other current assets	212,098	721,820
Total current assets	**4,818,897**	**4,360,839**
NON-CURRENT ASSETS		
Available-for-sale financial assets	453,798	—
Long-term equity investments	257,140	265,391
Other equity instruments	—	250,668
Other non-current financial assets	—	289,111
Investment properties	175,282	165,775
Fixed assets	701,563	683,485
Construction in progress	9,525	15,063
Intangible assets	125,804	123,866
Long-term prepaid expenses	19,253	22,711
Deferred tax assets	98,823	51,232
Total non-current assets	**1,841,188**	**1,867,302**
TOTAL ASSETS	**6,660,085**	**6,228,141**
CURRENT LIABILITIES		
Bills payable	398,578	749,963
Trade payables	1,365,212	1,094,875
Advances from customer	539,246	272,182
Staff remuneration payable	199,388	19,588
Taxes payable	139,043	57,892
Other payables	186,128	478,960
Other current liabilities	—	34
Total current liabilities	**2,827,595**	**2,673,494**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	350	15,309
Other non-current liabilities	2,280	—
Total non-current liabilities	**2,630**	**15,309**
TOTAL LIABILITIES	**2,830,225**	**2,688,803**
EQUITY		
Share capital	767,511	767,312
Capital reserve	843,201	866,061
Treasury shares	(5,000)	(3,403)
Other comprehensive income	(1,180)	24,734
Surplus reserve	397,821	397,821
Retained profits	1,807,938	1,477,491
Total equity attributable to owners of the parent	3,810,291	3,530,016
Non-controlling interests	19,569	9,322
Total equity	**3,829,860**	**3,539,338**
TOTAL LIABILITIES AND EQUITY	**6,660,085**	**6,228,141**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS OF JOYOUNG

	For the nine months ended September 30,	
	2018	2019
	(in RMB'000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the sale of goods and rendering of services	6,969,163	8,272,605
Cash received from other related operating activities	119,994	99,700
Total cash flows from operating activities	**7,089,157**	**8,372,305**
Cash paid on purchase of goods and services	4,992,096	5,719,946
Cash payments to and on behalf of employees	457,859	573,423
Cash paid for all types of taxes	333,524	286,050
Cash paid to other operation related activities	887,215	870,869
Total cash flows used in operating activities	**6,670,694**	**7,450,288**
Net cash flows from operating activities	**418,463**	**922,017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from disposal of investments	8,385	8,488
Cash received from return on investments	76,010	57,022
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	47,390	580
Net cash received from disposal of subsidiaries and other operating entities	103,683	—
Cash received from other investment related activities	1,085,000	831,252
Total cash flows from investing activities	**1,320,468**	**897,342**
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	128,723	35,473
Cash paid for investments	50,493	20,749
Cash paid on other investment related activities	955,000	1,393,000
Total cash flows used in investing activities	**1,134,216**	**1,449,222**
Net cash flows (used in)/ from investing activities	**186,252**	**(551,880)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from capital contribution	24,500	—
Cash received from other financing related activities	4,800	210,000
Total cash flows from financing activities	**29,300**	**210,000**
Cash paid on distribution of dividends, profits, or interest expenses	533,758	613,850
Cash paid on other financing related activities	164,093	219,567
Total cash flows used in financing activities	**697,851**	**833,417**
Net cash flows used in financing activities	**(668,551)**	**(623,417)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	13,700	6,219
NET DECREASE IN CASH AND CASH EQUIVALENTS	(50,136)	(247,061)
Add: Cash and cash equivalents at beginning of the period	671,960	907,947
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**621,824**	**660,886**

The unaudited interim financial statements as of and for the nine month ended September 30, 2019 of Joyoung were prepared under PRC GAAP and were reviewed by our reporting accountants in accordance with Hong Kong Standards on Review Engagements 2410. The unaudited interim financial information is not indicative of our financial condition or operating results for any period of a year or any full year. We have not provided a reconciliation of the unaudited interim financial statements of Joyoung to IFRS as there is no material difference in accounting treatment between PRC GAAP and IFRS.

Information contained in such announcement does not form part of this prospectus. We strongly caution you not to place any reliance on such information when considering whether to invest in our Shares.

DISTRIBUTABLE RESERVES

As of June 30, 2019, we had distributable reserves of US$127.2 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this prospectus.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. Our subsidiaries must comply with their respective constitutional documents and the applicable local laws and regulations in declaring and paying dividends to us. As of June 30, 2019, our Company had a net deficit of US$4.3 million on our Company's statement of financial position. Under Cayman Islands law, dividends may be paid only out of profits and share premiums. As advised by our legal advisors on Cayman Islands law, Maples and Calder (Hong Kong) LLP, the existence of a net deficit does not necessarily restrict us from declaring and paying dividends to our Shareholders. Under Cayman Islands law, our Company may pay a dividend out of either our profits (realized or unrealized) or amounts standing to the credit of our share premium account, provided that this would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board of Directors. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board of Directors.

Historically, no dividend has been declared by our Company since incorporation. We declared a special dividend of US$464.0 million to our shareholders on a pro rata basis pursuant to a shareholders' agreement, US$276.5 million of which was declared to JS Holding. Such special dividend was paid on October 16, 2019 and funded by a term loan borrowed from a commercial bank

with a principal amount of US$470 million. Such term loan is secured by a pledge over approximately 276,300,000 shares of Joyoung. Such term loan contains a covenant to prohibit our Company from, among other things, declaring, making or paying any dividend, except for the special dividend of US$464.0 million, (i) prior to the Listing Date, and (ii) unless a principal amount of no less than US$250 million in aggregate has been repaid or prepaid within one year after the Listing Date.

Currently we do not have a formal dividend policy or a fixed dividend distribution ratio. There is no assurance that dividends of any amount will be declared or distributed in any year.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of US$5.8 million. We expect to incur listing expenses of approximately US$28.9 million (equivalent to approximately HK$226.3 million, at the Offer Price of HK$5.20 per Offer Share and assuming the Over-allotment Option is not exercised), of which US$16.8 million will be recognized as administrative expenses and US$12.1 million will be charged against equity in the year ending December 31, 2019. We do not believe these expenses will have a material impact on our results of operations for 2019.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

As of the date of this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of our Company since June 30, 2019, the date of the latest audited financial statements of our Company.

FUTURE PLANS

See "Business—Our Strategies."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,372.8 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us, at the Offer Price of HK$5.20 per Offer Share. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 50% of the net proceeds, or approximately HK$1,186.4 million, is expected to be used to partially repay a term loan for dividend distribution with a principal amount of US$470 million from a commercial bank. We obtained such bank loan on October 16, 2019, with an interest rate of three month LIBOR interest rate plus 1.60% and a maturity of five years.
- approximately 20% of the net proceeds, or approximately HK$474.6 million, is expected to be used on R&D of new products and further integration and development of our supply chain. In particular, we plan to
  - (i) maintain and improve our existing R&D facilities in Hangzhou, Boston, London and other locations for the development of new products and technologies, hire talents globally and use for general R&D expenditure to support our new product rollout and upgrades; and
  - (ii) facilitate the further integration of Joyoung and SharkNinja supply chain to achieve greater synergies, enhance the overall competitiveness of our supply chain network, and strengthen our partnership with key suppliers through investment and strategic alliance.
- approximately 20% of the net proceeds, or approximately HK$474.6 million, is expected to be used for market development and expansion, and enhancing our brand image and recognition globally. In particular, we plan to
  - (i) expand and accelerate our market penetration in the international markets by further expanding and enhancing our sales channel, and recruiting and retaining local talents across business functions;
  - (ii) further enhance our brand awareness and increase our advertising and other promotional efforts of our brands in the global market; and
  - (iii) fund our branding and marketing efforts of our SharkNinja business in China through online and offline channels.
- approximately 10% of the net proceeds, or approximately HK$237.3 million, is expected to be used for working capital and general corporate purposes.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$2,750.9 million, at the Offer Price of HK$5.20 per Offer Share. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, it is our present intention to hold such net proceeds in short term interest-bearing deposits with, or wealth management products issued by, licensed banks and/or financial institutions.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors (the "**Cornerstone Investors**") who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of approximately US$130.0 million (equivalent to approximately HK$1,017.7 million).

Based on the Offer Price of HK$5.20 per Offer Share, the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 195,702,000 Shares, representing approximately (i) 39.2% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 5.9% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 5.7% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules). The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. None of the Cornerstone Investors will have any representation on the Board or becomes a substantial Shareholder of our Company upon completion of the Global Offering, or will subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreements referred to below.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around December 17, 2019.

OUR CORNERSTONE INVESTORS

	Based on the Offer Price of HK$5.20						
				Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
Cornerstone Investor	Investment Amount		Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)	(equivalent HK$ in million)					
CM Kinder	100	782.8	150,540,000	30.1%	26.2%	4.5%	4.4%
Red Avenue	30	234.8	45,162,000	9.0%	7.9%	1.4%	1.3%
Total	**130**	**1,017.7**	**195,702,000**	**39.2%**	**34.1%**	**5.9%**	**5.7%**

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

CM Kinder

CM Kinder Education II Limited ("CM Kinder") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US$100 million (equivalent to approximately HK$782.8 million) at the Offer Price.

CM Kinder is a BVI business company which is held by its majority shareholder CPEChina Fund III, L.P. ("CPE Fund III") and minority shareholder CPE GLOBAL OPPORTUNITIES FUND, L.P. ("GOF", collectively with CPE Fund III, the "CPE Funds"). The CPE Funds are both exempted limited partnerships registered in the Cayman Islands. The general partner of CPE Fund III is CPE Funds III Limited, an exempted company incorporated in the Cayman Islands with limited liability. The general partner of GOF is CPE GOF GP Limited, an exempted company incorporated in the Cayman Islands with limited liability. The CPE Funds are principally engaged in private equity investments. The investors of CPE Funds include sovereign wealth funds, pensions, financial institutions and other global institutional investors across North America, Europe, Asia and the Middle East.

In addition, although the Cornerstone Investment Agreement entered into by the Company, CM Kinder and the Joint Global Coordinators provided that the Company, the Joint Global Coordinators, the Joint Sponsors and CM Kinder may otherwise agree to conduct defer settlement in respect of the delivery of, and payment for the Shares to be subscribed by CM Kinder, provided that, payment for and delivery of the Shares shall not be later than three (3) business days following the last day on which the Over-allotment Option may be exercised, the Company and the Joint Global Coordinators have no intention to carry out such defer settlement.

Red Avenue

Red Avenue Investment Group Limited ("Red Avenue") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US$30 million (equivalent to approximately HK$234.8 million) at the Offer Price.

Red Avenue, an investment company incorporated in Hong Kong, is the holding company of Red Avenue New Materials Group Company Limited (彤程新材料集團股份有限公司) ("Red Avenue New Materials"), a company primarily engaged in the R&D, production, sales and trading business of chemical materials whose shares were listed on the Shanghai Stock Exchange (Stock Code: 603650). Red Avenue is wholly owned by Ms. Zhang Ning, an Independent Third Party, who founded Red Avenue Group in August 1999, and is currently serving as the Chairwoman of Red Avenue New Materials and an Independent Director of a mobile internet company.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with

their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, the Shares and that such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Shares they have purchased pursuant to the relevant cornerstone investment agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited
ICBC International Securities Limited
China International Capital Corporation Hong Kong Securities Limited
CMB International Capital Limited
China Merchants Securities (HK) Co., Limited
CCB International Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement.

The Global Offering comprises the Hong Kong Public Offering of initially 49,983,000 Hong Kong Offer Shares and the International Offering of initially 449,847,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into effect:

(i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, China, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union, Japan or any other jurisdictions relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, China, the European Union, Japan, or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authority of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the US dollar, Euro, Pound Sterling, Japanese Yen, Hong Kong Dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any proceedings of any third party being threatened or instigated against any member of the Group; or

(ix) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(x) the issue or requirement to issue by the Company of any supplement or amendment to this Prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

(xi) an order or petition for the winding up of any major subsidiaries of the Group or any composition or arrangement made by any major subsidiaries of the Group with its creditors or a scheme of arrangement entered into by any major subsidiaries of the Group or any resolution for the winding-up of any major subsidiaries of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any major subsidiaries of the Group or anything analogous thereto occurring in respect of any major subsidiaries of the Group; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws in any material respects,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors:

(a) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, positions or conditions, financial or otherwise, or performance of the Group as a whole; or

(b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(d) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors:

(a) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(b) the chairman and chief executive officer of the Company vacating his office; or

(c) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, any Director or the Controlling Shareholders; or

(d) a prohibition on the Company or the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including any exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(e) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions taken as a whole; or

(f) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(g) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(h) any material adverse change (as defined in the Hong Kong Underwriting Agreement); or

(i) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties as defined in the Hong Kong Underwriting Agreement; or

(j) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(k) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings given by the Company, Mr. Wang Xuning or JS Holding in the Hong Kong Underwriting Agreement; or

(l) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(m) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(n) that any person (including the reporting accountants, PRC counsel or Cayman Islands counsel of the Company or the industry consultant) has withdrawn or is subject to withdrawal of its respective consent to the issue of any of the offering documents as defined in the Hong Kong Underwriting Agreement, with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

A. Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) shall be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except for (i) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (ii) issue of shares or securities pursuant to the Global Offering (including any exercise of the Over-allotment Option); or (iii) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

B. Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, the group of our Controlling Shareholders have collectively undertaken to the Hong Kong Stock Exchange that, he/she/it shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or

(ii) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be a Controlling Shareholder (as defined in the Listing Rules) of our Company.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent the group of Controlling Shareholders from using the Shares beneficially owned by him/her/it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the group of our Controlling Shareholders have collectively further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(i) when he/she/it or the relevant registered holders pledge or charge any Shares beneficially owned by him/her/its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

A Undertakings by our Company

Our Company, has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to

the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**First Six-Month Period**"), our Company will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other equity securities of the Company, or any interest in any of the foregoing), or deposit any Shares or other equity securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or any other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by the delivery of Shares or such other equity securities of the Company, or, in cash or otherwise (whether or not the issue of such Shares or other shares or equity securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Mr. Wang Xuning and JS Holding jointly and severally undertake to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings above.

B Undertakings by Mr. Wang Xuning and JS Holding as our Controlling Shareholder(s)

Each of Mr. Wang Xuning and JS Holding has undertaken to each of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise

of the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

(i) he/it will not, during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by him/it as at the Listing Date (the "**Locked-up Securities**"), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period); and

(ii) he/it will not, until the expiry of the Second Six-Month Period, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(iii) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Lock-up Undertakings from the Remaining Controlling Shareholders

To facilitate the Global Offering, in addition to the lock-up undertakings given by Mr. Wang Xuning and JS Holding pursuant to the Hong Kong Underwriting Agreement as disclosed above (the "**Major Controlling Shareholders Undertakings**"), the remaining Controlling Shareholders have entered into the lock-up undertakings in favor of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters pursuant to which the remaining Controlling Shareholders have also given lock-up undertakings on terms same as those of the Major Controlling Shareholders Undertakings.

Undertakings by Certain of Our Shareholders

Each of Easy Home, Comfort Home and the SN Investors (the "**Undersigned Shareholders**") has entered into a lock-up undertaking deed (each a "**Lock-up Undertaking Deed**" and altogether the

"**Lock-up Undertaking Deeds**") in favor of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters). Pursuant to the Lock-up Undertaking Deeds (which are in largely similar form, except certain special circumstances), each of the Undersigned Shareholders agrees that, it will not, from the date of the respective Lock-up Undertaking Deed and ending on, and including, the date that is six months after the Listing Date (the "**Six-Month Period**"), dispose of any Relevant Shares or any interest in any company or entity holding or controlling (directly or indirectly) any Relevant Shares or, permit or cause a change in control of any company or entity holding or controlling (directly or indirectly) any Relevant Shares (the "**Lock-up Undertaking**").

"**Relevant Shares**" mean any and all Shares, as reclassified, redesignated and subdivided from the Shares as held by the relevant Undersigned Shareholder on the date of the Lock-up Undertaking Deed it signed, in the manner as set out in the prospectus as if the reclassification, redesignation and subdivision has been completed on the date of the relevant Lock-up Undertaking Deed.

The Lock-up Undertaking does not apply to situations including:

(a) any transfer with the prior written consent of the Company and the Joint Global Coordinators, having due regard to any applicable requirements of the Stock Exchange;

(b) any shares acquired by the Undersigned Shareholder or its affiliate in open market transactions after the completion of the Global Offering;

(c) any transfer to any of the Undersigned Shareholder's wholly-owned subsidiaries, directly or indirectly, provided that, as a condition to such transfer, such wholly-owned subsidiary gives a written undertaking (addressed to and in favor of the Joint Global Coordinators and the Joint Sponsors substantially the same as the relevant Lock-up Undertaking Deed) agreeing to be bound by the provisions of the relevant Lock-up Undertaking Deed;

(d) as may be required by applicable law or regulation;

(e) the use of the Relevant Shares by the Undersigned Shareholder or its affiliate (as the case may be) as security (including a charge or a pledge) in favor of an authorized institution for a bona fide commercial loan provided that the person making such loan undertakes to be bound by the restrictions on disposal as set out in the relevant Lock-up Undertaking Deed during the Six-Month Period and which restrictions shall apply to any disposal of the Relevant Shares on exercise of any enforcement action or foreclosure following a default under such loan; and

(f) sale, transfer or disposal of any Relevant Share for estate planning purposes or pursuant to laws of descent, provided that, as a condition to such transfer, such transferee gives a written undertaking (addressed to and in favor of the Joint Global Coordinators and the Joint Sponsors substantially the same as the relevant Lock-up Undertaking Deed) agreeing to be bound by the provisions of the relevant Lock-up Undertaking Deed.

For the purpose of the Lock-up Undertaking Deeds, "dispose of" means:

(a) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them; or

(b) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares; or

(c) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) agree or contract to effect any transaction specified in paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the aforesaid period).

Indemnity

We, Mr. Wang Xuning and JS Holding have agreed to indemnify, among the others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in the prospectus, except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we, Mr. Wang Xuning and JS Holding will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot, up to an aggregate of 74,974,500 Shares, representing no more than 15.0% of the initial Offer Shares, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross underwriting commission equal to 2.50% of the aggregate Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay the Hong Kong Underwriters an additional incentive fee.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretion consider appropriate).

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$226.3 million based on the Offer Price of HK$5.20 per Offer Share, are payable and borne by our Company.

INDEPENDENCE OF THE JOINT SPONSORS

Morgan Stanley Asia Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

JS Holding, one of the Controlling Shareholders of the Company, has a private banking account with Credit Suisse (Hong Kong) Limited. Prior to completion of the Listing, certain partners of JS Holding may appoint an affiliate of Credit Suisse (Hong Kong) Limited to act as trustee for trusts of which such partners or their close associates are beneficiaries. Therefore, Credit Suisse (Hong Kong) Limited is not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

As of the Latest Practicable Date, certain group entities of the Industrial and Commercial Bank of China Limited ("**ICBC**"), the parent company of ICBC International Capital Limited, have lending relationship with the Group and its Controlling Shareholders. ICBC International Capital Limited is therefore not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 49,983,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering—The Hong Kong Public Offering" below; and

(b) the International Offering of 449,847,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in "Structure of the Global Offering—The International Offering" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.2% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "Structure of the Global Offering—The International Offering—Over-allotment Option" below.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 49,983,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "Structure of the Global Offering—Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 24,991,500 respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therein. Applicants can only receive an allocation of the Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 24,991,500 Hong Kong Offer Shares (being 50% of the 49,983,000 Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 149,949,000 Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 199,932,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 249,915,000 Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules for:

- if the International Offer Shares are fully subscribed or oversubscribed, and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering
- if the International Offer Shares are undersubscribed, and the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription)

the maximum total number of Shares that may be reallocated to the Hong Kong Public Offering shall be not more than 99,966,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the number of Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK$5.20 per Offer Share in addition to the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 449,847,000 Offer Shares, representing 90.0% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Structure of the Global Offering—Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation," the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot, up to an aggregate of 74,974,500 Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.2% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for it may cover such over-allocation by, amongst other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment

Option, being 74,974,500 Shares, representing 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 74,974,500 Shares from JS Holding pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangement under the Stock Borrowing Agreement complies with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus is not subject to the restrictions of Rule 10.07(1) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will be HK$5.20 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Reduction in Offer Price and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) considers it appropriate and together with the Company's consent, the number of Offer Shares and/or the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall be HK$5.20. If the number of Offer Shares and/or the Offer Price is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators but the number of Offer Shares to be offered in the Hong Kong Public Offering shall not in any event be less than 10.0% of the total number of Offer Shares available under the Global Offering.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the Offer Price is so reduced.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$2,372.8 million, based on the Offer Price of HK$5.20 per Offer Share.

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, December 17, 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.jsgloballife.com) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that our Company will, on or about Thursday, December 12, 2019, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(b) the execution and delivery of the International Underwriting Agreement on or about December 12, 2019; and

(c) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.jsgloballife.com) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for the Hong Kong Offer Shares—14. Dispatch/ Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8: 00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we

comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 18, 2019, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, December 18, 2019. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 500 Shares each. The stock code of the Shares will be 1691.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service by the IPO App or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretions.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a US Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of China.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any Shares in the Company and/or any of its subsidiaries;

- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate or close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the IPO App or **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 9, 2019 until 12:00 noon on Thursday, December 12, 2019 from:

(i) ***any of the following offices of the Hong Kong Underwriters***:

Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower 3 Garden Road Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central, Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square 8 Connaught Place Central Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong

(ii) ***any of the branches of the receiving banks*:**

(a) Industrial and Commercial Bank of China (Asia) Limited

	Branch name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2-12, Westlands Road, Quarry Bay, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan, Kowloon
	Lai Chi Kok Branch	Shop G06, G/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon
	Telford Branch	Shop F19, Telford Plaza, Kowloon Bay, Kowloon
New Territories	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories
	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

(b) China Construction Bank (Asia) Corporation Limited

	Branch name	Address
Hong Kong Island	Central Branch	6 Des Voeux Road Central, Central
	Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1, Causeway Bay
Kowloon	Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
	Kwun Tong Hoi Yuen Road Branch	56 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	68 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 9, 2019 until 12:00 noon on Thursday, December 12, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited—JS Global Lifestyle Company Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, December 9, 2019 – 9:00 a.m. to 5:00 p.m.
Tuesday, December 10, 2019 – 9:00 a.m. to 5:00 p.m.
Wednesday, December 11, 2019 – 9:00 a.m. to 5:00 p.m.
Thursday, December 12, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 12, 2019, the last application day or such later time as described in "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Law, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective

directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed ''Personal Collection'' in this section to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for the YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "How to Apply for the Hong Kong Offer Shares—2. Who Can Apply," may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the IPO App or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the IPO App or on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the IPO App or the designated website at **www.hkeipo.hk**, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the IPO App or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 9, 2019 until 11:30 a.m. on Thursday, December 12, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 12, 2019 or such later time under "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic** application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to

have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum number of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, December 9, 2019 – 9:00 a.m. to 8:30 p.m.
Tuesday, December 10, 2019 – 8:00 a.m. to 8:30 p.m.
Wednesday, December 11, 2019 – 8:00 a.m. to 8:30 p.m.
Thursday, December 12, 2019 – 8:00 a.m. to 12:00 noon

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, December 9, 2019 until 12:00 noon on Thursday, December 12, 2019 (24 hours daily, except on Thursday, December 12, 2019 the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, December 12, 2019, the last application day or such later time as described in "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service center to complete an input request form for electronic application instructions before 12:00 noon on Thursday, December 12, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the

HK eIPO White Form service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the IPO App or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

See "Structure of the Global Offering—Pricing and Allocation" for further details on the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and /or
- an announcement of "extreme conditions" by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 12, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 12, 2019 or if there is a tropical cyclone warning signal number 8 or above or an announcement of "extreme conditions" by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, December 17, 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.jsgloballife.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.jsgloballife.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, December 17, 2019;
- from "Allotment Result" function in the IPO App or the designated results of allocations website at **www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult)** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, December 17, 2019 to 12:00 midnight on Monday, December 23, 2019;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, December 17, 2019 to Friday, December 20, 2019 on a business day (excluding Saturday, Sunday and Hong Kong public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, December 17, 2019 to Thursday, December 19, 2019 at all the receiving banks' designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or our agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the IPO App or on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, December 17, 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint

applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to the arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Tuesday, December 17, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, December 18, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 17, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, December 17, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Tuesday, December 17, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, December 17, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 17, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 17, 2019, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, December 17, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, December 17, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" above on Tuesday, December 17, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 17, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, December 17, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, December 17, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

The Directors
JS Global Lifestyle Company Limited
Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited
ICBC International Capital Limited

Dear Sirs,

We report on the historical financial information of JS Global Lifestyle Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-155, which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019, the statements of financial position of the Company as at December 31, 2018 and June 30, 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-155 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 9, 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes II 2.1 and II 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting

accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes II 2.1 and II 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019, of the financial position of the Company as at December 31, 2018 and June 30, 2019, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes II 2.1 and II 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended June 30, 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes II 2.1 and II 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes II 2.1 and II 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note II 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
December 9, 2019

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section II notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
REVENUE	5	1,102,979	1,563,428	2,681,914	1,153,920	1,235,836
Cost of sales		(751,577)	(1,044,293)	(1,682,871)	(728,526)	(773,716)
Gross profit		351,402	519,135	999,043	425,394	462,120
Other income and gains	6	41,067	22,946	44,462	17,243	12,316
Selling and distribution expenses		(161,117)	(263,722)	(477,608)	(213,315)	(203,539)
Administrative expenses		(80,458)	(136,027)	(317,585)	(149,516)	(179,120)
Impairment losses on financial assets		(1,429)	(2,578)	(4,062)	(4,237)	(1,311)
Other expenses		(3,356)	(22,925)	(31,393)	(17,964)	(17,615)
Finance costs	8	(1,445)	(18,156)	(78,273)	(36,846)	(43,993)
Share of profits and losses of a joint venture and associates	19	(2,480)	3,245	5,809	5,717	92
PROFIT BEFORE TAX	7	142,184	101,918	140,393	26,476	28,950
Income tax (expense)/credit	10	(19,774)	39,031	(28,270)	(5,854)	(7,041)
PROFIT FOR THE YEAR/PERIOD		122,410	140,949	112,123	20,622	21,909
Attributable to:						
Owners of the parent		51,935	48,207	34,883	(819)	2,446
Non-controlling interests	35	70,475	92,742	77,240	21,441	19,463
		122,410	140,949	112,123	20,622	21,909
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
PROFIT FOR THE YEAR/PERIOD	122,410	140,949	112,123	20,622	21,909
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	(44,734)	42,954	(37,105)	(17,341)	1,806
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Financial assets designated at fair value through other comprehensive income:					
Changes in fair value	(7,721)	5,748	5,055	—	—
Income tax effect	1,275	(989)	(768)	—	—
	(6,446)	4,759	4,287	—	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(6,446)	4,759	4,287	—	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	(51,180)	47,713	(32,818)	(17,341)	1,806
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	71,230	188,662	79,305	3,281	23,715
Attributable to:					
Owners of the parent	27,468	71,147	19,566	(8,302)	1,768
Non-controlling interests	43,762	117,515	59,739	11,583	21,947
	71,230	188,662	79,305	3,281	23,715

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II notes	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		US$'000	US$'000	US$'000	US$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	97,126	180,471	191,314	193,158
Investment properties	14	39,802	37,473	28,250	27,222
Prepaid land lease payments	15	19,854	21,653	16,130	16,008
Goodwill	16	—	839,767	839,767	839,767
Right-of-use assets	17	6,345	64,499	58,840	64,098
Other intangible assets	18	2,525	565,061	558,651	554,589
Investment in a joint venture	19	—	—	—	2,883
Investments in associates	19	25,159	37,220	36,003	36,376
Financial assets at fair value through profit or loss	20	53,431	67,714	60,794	59,059
Financial assets designated at fair value through other comprehensive income	20	24,164	31,921	35,643	35,651
Deferred tax assets	30	11,215	45,377	46,532	43,901
Pledged deposits	25	—	—	—	116,533
Other non-current assets	21	—	5,293	17,430	9,086
Total non-current assets		279,621	1,896,449	1,889,354	1,998,331
CURRENT ASSETS					
Inventories	22	59,470	272,229	349,862	329,985
Trade and bills receivables	23	224,541	627,523	772,660	545,684
Prepayments, other receivables and other assets	24	108,773	219,630	65,510	101,237
Financial assets at fair value through profit or loss	20	155,996	46,564	15,853	50,369
Pledged deposits	25	4,974	7,080	26,588	100,396
Cash and cash equivalents	25	127,220	211,003	180,872	152,475
Assets held for sale	26	—	4,507	—	—
Total current assets		680,974	1,388,536	1,411,345	1,280,146
CURRENT LIABILITIES					
Trade and bills payables	27	180,647	262,076	408,632	336,680
Other payables and accruals	28	119,133	371,312	364,098	757,452
Interest-bearing bank borrowings	29	—	10,039	485,544	21,857
Lease liabilities	17	2,411	10,361	10,980	12,472
Tax payable		5,807	7,333	11,421	223
Total current liabilities		307,998	661,121	1,280,675	1,128,684
NET CURRENT ASSETS		372,976	727,415	130,670	151,462
TOTAL ASSETS LESS CURRENT LIABILITIES		652,597	2,623,864	2,020,024	2,149,793
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	29	—	1,193,682	699,721	828,484
Deferred tax liabilities	30	1,783	131,952	133,578	133,070
Lease liabilities	17	4,033	57,330	52,612	57,123
Financial liabilities associated with put option	31	—	627,833	656,650	671,719
Other non-current liabilities	32	1,190	15,262	14,459	14,544
Total non-current liabilities		7,006	2,026,059	1,557,020	1,704,940
Net assets		645,591	597,805	463,004	444,853

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION—continued

	Section II notes	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		US$'000	US$'000	US$'000	US$'000
EQUITY					
Equity attributable to owners of the parent					
Owners' equity		105,005	99,187	69,035	618,418
Reserves/(deficits)	34	209,046	(83,430)	(172,752)	(412,804)
		314,051	15,757	(103,717)	205,614
Non-controlling interests		331,540	582,048	566,721	239,239
Total equity		645,591	597,805	463,004	444,853

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Owners' equity	Statutory reserve	Share award reserve	Put option reserve**	Fair value reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note II 34)	US$'000 (note II 34)	US$'000 (note II 33)	US$'000 (notes II 31 and 34)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2016	100,835	53,606	765	—	—	7,193	130,328	292,727	338,185	630,912
Profit for the year	—	—	—	—	—	—	51,935	51,935	70,475	122,410
Exchange differences on translation of foreign operations	—	—	—	—	—	(21,864)	—	(21,864)	(22,870)	(44,734)
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	—	—	—	—	(2,603)	—	—	(2,603)	(3,843)	(6,446)
Total comprehensive income for the year	—	—	—	—	(2,603)	(21,864)	51,935	27,468	43,762	71,230
Contribution from the controlling shareholder	3,760	—	—	—	—	—	—	3,760	—	3,760
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	115	115
Acquisition of non-controlling interests	(131)	—	—	—	—	—	—	(131)	131	—
Equity-settled share award scheme	532	—	211	—	—	—	—	743	1,096	1,839
Cancelation of a subsidiary's shares	9	—	—	—	—	—	—	9	(9)	—
Transfer to statutory reserve	—	448	—	—	—	—	(448)	—	—	—
Transfer to retained profits (a)	—	—	(719)	—	—	—	719	—	—	—
Dividends declared by subsidiaries (b)	—	—	—	—	—	—	(10,525)	(10,525)	(51,740)	(62,265)
At December 31, 2016	105,005	54,054*	257*	—	(2,603)*	(14,671)*	172,009*	314,051	331,540	645,591

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Owners' equity	Statutory reserve	Share award reserve	Put option reserve**	Fair value reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note II 34)	US$'000 (note II 34)	US$'000 (note II 33)	US$'000 (notes II 31 and 34)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2017	105,005	54,054	257	—	(2,603)	(14,671)	172,009	314,051	331,540	645,591
Profit for the year	—	—	—	—	—	—	48,207	48,207	92,742	140,949
Exchange differences on translation of foreign operations	—	—	—	—	—	21,019	—	21,019	21,935	42,954
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	1,921	—	—	1,921	2,838	4,759
Total comprehensive income for the year	—	—	—	—	1,921	21,019	48,207	71,147	117,515	188,662
Contribution from the non-controlling shareholders	—	—	—	—	—	—	—	—	184,853	184,853
Acquisition of non-controlling interests	(2,372)	—	—	—	—	—	—	(2,372)	(12,859)	(15,231)
Repurchase of a subsidiary's shares for share award scheme	(4,085)	—	—	—	—	—	—	(4,085)	(6,034)	(10,119)
Equity-settled share award scheme	636	—	173	—	—	—	—	809	1,192	2,001
Cancelation of a subsidiary's shares	3	—	—	—	—	—	—	3	(3)	—
Transfer to statutory reserve	—	421	—	—	—	—	(421)	—	—	—
Transfer to retained profits (a)	—	—	(340)	—	—	—	340	—	—	—
Dividends declared by subsidiaries (b)	—	—	—	—	—	—	(19,248)	(19,248)	(42,490)	(61,738)
Disposal to a non-controlling shareholder (c)	—	—	—	—	—	—	—	—	251,502	251,502
Put option granted to a non-controlling shareholder	—	—	—	(344,548)	—	—	—	(344,548)	(243,168)	(587,716)
At December 31, 2017	99,187	54,475*	90*	(344,548)*	(682)*	6,348*	200,887*	15,757	582,048	597,805

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Owners' equity	Statutory reserve	Share award reserve	Put option reserve**	Fair value reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note II 34)	US$'000 (note II 34)	US$'000 (note II 33)	US$'000 (notes II 31 and 34)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2018	99,187	54,475	90	(344,548)	(682)	6,348	200,887	15,757	582,048	597,805
Profit for the year	—	—	—	—	—	—	34,883	34,883	77,240	112,123
Exchange differences on translation of foreign operations	—	—	—	—	—	(17,116)	—	(17,116)	(19,989)	(37,105)
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	—	—	—	—	1,799	—	—	1,799	2,488	4,287
Total comprehensive income for the year	—	—	—	—	1,799	(17,116)	34,883	19,566	59,739	79,305
Disposal of subsidiaries (note II 37)	—	—	—	—	—	—	—	—	(6,224)	(6,224)
Acquisition of non-controlling interests	(28,794)	—	—	—	—	—	—	(28,794)	(8,097)	(36,891)
Repurchase of a subsidiary's shares for share award scheme	(1,358)	—	—	—	—	—	—	(1,358)	(1,881)	(3,239)
Equity-settled share award scheme	—	—	2,132	—	—	—	—	2,132	2,976	5,108
Dividends declared by subsidiaries (b)	—	—	—	—	—	—	(111,020)	(111,020)	(62,590)	(173,610)
Capital reserve arising from other shareholder	—	—	—	—	—	—	—	—	750	750
At December 31, 2018	69,035	54,475*	2,222*	(344,548)*	1,117*	(10,768)*	124,750*	(103,717)	566,721	463,004

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Owners' equity	Statutory reserve	Share award reserve	Put option reserve**	Fair value reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note II 34)	US$'000 (note II 34)	US$'000 (note II 33)	US$'000 (notes II 31 and 34)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2018	99,187	54,475	90	(344,548)	(682)	6,348	200,887	15,757	582,048	597,805
Profit for the period	—	—	—	—	—	—	(819)	(819)	21,441	20,622
Exchange differences on translation of foreign operations	—	—	—	—	—	(7,483)	—	(7,483)	(9,858)	(17,341)
Total comprehensive income for the period	—	—	—	—	—	(7,483)	(819)	(8,302)	11,583	3,281
Acquisition of non-controlling interests	(19,187)	—	—	—	—	—	—	(19,187)	(5,370)	(24,557)
Repurchase of a subsidiary's shares for share award scheme	(1,358)	—	—	—	—	—	—	(1,358)	(1,881)	(3,239)
Equity-settled share award scheme	—	—	462	—	—	—	—	462	658	1,120
Dividends declared by subsidiaries (b)	—	—	—	—	—	—	—	—	(41,049)	(41,049)
At June 30, 2018	78,642	54,475*	552*	(344,548)*	(682)*	(1,135)*	200,068*	(12,628)	545,989	533,361

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Owners' equity	Statutory reserve	Share award reserve	Put option reserve**	Fair value reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US$'000 (note II 34)	US$'000 (note II 34)	US$'000 (note II 33)	US$'000 (notes II 31 and 34)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2019	69,035	54,475*	2,222*	(344,548)*	1,117*	(10,768)*	124,750*	(103,717)	566,721	463,004
Profit for the period	—	—	—	—	—	—	2,446	2,446	19,463	21,909
Exchange differences on translation of foreign operations	—	—	—	—	—	(678)	—	(678)	2,484	1,806
Total comprehensive income for the period	—	—	—	—	—	(678)	2,446	1,768	21,947	23,715
Capital injection to a subsidiary with non-controlling interests (d)	(11,054)	—	—	—	—	—	—	(11,054)	11,054	—
Acquisition of non-controlling interests***	560,420	—	—	(243,168)	—	—	—	317,252	(317,252)	—
Equity-settled share award scheme	—	—	1,348	—	—	—	—	1,348	1,588	2,936
Cancelation of a subsidiary's shares	17	—	—	—	—	—	—	17	(17)	—
Dividends declared by a subsidiary	—	—	—	—	—	—	—	—	(44,802)	(44,802)
At June 30, 2019	618,418	54,475*	3,570*	(587,716)*	1,117*	(11,446)*	127,196*	205,614	239,239	444,853

Notes:

* The reserve accounts comprise the consolidated reserves/(deficits) of US$209,046,000, (US$83,430,000), (US$172,752,000) and (US$412,804,000), respectively, in the consolidated statements of financial position as at December 31, 2016, 2017, 2018 and June 30, 2019.

** A put option was granted to Compass Aggregator, Ltd., a non-controlling shareholder, due to the acquisition of Euro-Pro HoldCo, LLC and its subsidiaries (the "Euro-Pro Group"). The put option attributable to owners of the parent and other non-controlling interests amounted to US$344,548,000 and US$243,168,000, respectively, according to their shareholdings. The amounts attributed to other non-controlling interests were transferred to the put option reserve upon the reorganization in June 2019. For details, refer to note II 31.

*** In April 2019, a shareholder of a non-controlling interest of Joyoung Co., Ltd. (Bilting Development Limited ("Bilting")) entered into a share subscription agreement with the Company, pursuant to which the shareholder exchanged his 100% equity interest in Bilting with the Company in consideration for the ordinary shares issued by the Company. In June 2019, shareholders of non-controlling interests of Compass Cayman SPV, Ltd ("Compass") entered into a series of share subscription agreements with the Company, pursuant to which each shareholder agreed to exchange their respective indirect shares in Compass with the Company in consideration for the ordinary shares issued by the Company. Upon completion of the share exchange mentioned above, Bilting and Compass became wholly-owned subsidiaries of the Company.

(a) The share award reserve was transferred to retained profits upon vested.

(b) Dividends were declared and paid by subsidiaries prior to the incorporation of the Company.

(c) On September 29, 2017, Compass Aggregator, Ltd. contributed its 100% equity interests in the Euro-Pro Group in exchange of 30% equity interests in a subsidiary of the Group, Compass Cayman SPV, Ltd. The 30% equity interests in Compass Cayman SPV, Ltd. were valued at US$258,252,000. Cash of US$6,750,000 was returned to Compass Aggregator, Ltd. upon the closing adjustment.

(d) As a reorganization step, in April 2019, Sunshine Rise Company Limited, a wholly-owned subsidiary of the Company injected US$106,087,000 to Shanghai Lihong Enterprises Management Co., Ltd., a partially-owned subsidiary of the Company, which increased the non-controlling interests' share of net assets of the Group.

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		142,184	101,918	140,393	26,476	28,950
Adjustments for:						
Finance costs	8	1,445	18,156	78,273	36,846	43,993
Share of profits and losses of a joint venture and associates	19	2,480	(3,245)	(5,809)	(5,717)	(92)
Interest income	6	(1,818)	(1,504)	(2,183)	(608)	(1,944)
Gain on disposal of items of property, plant and equipment	6	(7,033)	(230)	(16,293)	(46)	(34)
Gain on disposal of an investment property	6	—	—	(1,863)	(1,863)	—
Gain on disposal of subsidiaries, net	6	—	(1,626)	(9,755)	(11,660)	—
Gain/(loss) on financial assets at fair value through profit or loss, net	7	(17,948)	(5,675)	(742)	2,216	(5,988)
Depreciation	7	10,744	20,061	51,906	22,424	25,854
Amortization of prepaid land lease payments	7	520	512	468	263	202
Amortization of right-of-use assets	7	1,871	4,900	12,946	6,361	7,689
Amortization of other intangible assets	7	591	4,198	22,178	10,141	10,368
Impairment/(reversal of impairment) of inventories	7	1,001	(1,621)	69	(706)	61
Impairment of trade receivables, net	7	1,311	2,252	3,759	2,886	1,276
Impairment of financial assets included in prepayments, other receivables and other assets	7	118	326	303	1,351	35
Equity-settled share award expense		522	426	5,108	1,120	2,936
Exchange (gains)/losses	7	(919)	991	(298)	(132)	1,795
Changes in carrying amount of financial liabilities associated with put option	7	—	7,123	28,817	14,408	15,069
Decrease/(increase) in inventories		23,723	43,434	(79,201)	22,835	19,819
Decrease/(increase) in trade and bills receivables		61,433	(80,020)	(187,767)	149,050	225,700
Decrease/(increase) in prepayments, other receivables and other assets		(2,746)	17,376	28,455	7,945	(9,429)
Increase in pledged deposits		—	—	—	—	(69,254)
Recognition of right-of-use assets	17	(6,890)	(62,723)	(7,418)	(5,720)	(12,914)
Recognition of lease liabilities	17	6,890	64,158	7,418	5,720	12,914
Decrease/(increase) in other non-current assets/liabilities		—	(5,293)	(12,137)	(3,252)	1,690
Increase/(decrease) in trade and bills payables		(55,810)	(90,760)	172,484	267	(115,184)
Increase/(decrease) in other payables and accruals		10,909	25,794	18,503	(146,530)	(92,559)
Cash generated from operations		172,578	58,928	247,614	134,075	90,953
Interest received		1,818	1,504	2,183	608	1,944
Income tax paid		(22,452)	(8,554)	(15,907)	(7,541)	(17,094)
Net cash flows from operating activities		151,944	51,878	233,890	127,142	75,803

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Section II notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(3,878)	(20,635)	(67,268)	(19,666)	(26,755)
Additions to other intangible assets	18	(850)	(2,635)	(15,872)	(6,772)	(6,294)
Acquisition of subsidiaries	36	—	(1,300,377)	—	—	—
Disposal of subsidiaries	37	—	(392)	8,313	15,547	—
Increase of investments in a joint venture and associates		(12,163)	(6,686)	(257)	(227)	(2,885)
Purchases of financial assets at fair value through profit or loss		(331,325)	(427,709)	(170,345)	(46,440)	(116,122)
Dividends/interest received from financial assets at fair value through profit or loss		8,106	7,397	7,488	1,514	5,121
Disposal of financial assets at fair value through profit or loss		297,206	537,202	187,468	49,009	83,826
Purchases of financial assets designated at fair value through other comprehensive income		(29,724)	—	—	—	—
Dividends received from associates		—	74	9,065	9,065	—
Decrease in amounts due from shareholders		—	—	3,528	—	—
Disposal of property, plant and equipment, prepaid land lease payments, assets held for sale and intangible assets other than goodwill		3,372	583	28,025	6,928	394
Net cash flows from/(used in) investing activities		(69,256)	(1,213,178)	(9,855)	8,958	(62,715)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contributions from the controlling shareholder		3,760	—	—	—	—
Payment of lease liabilities		(2,008)	(4,294)	(13,868)	(6,268)	(8,485)
Repurchase of a subsidiary's shares for share award scheme		—	(10,119)	(3,239)	(3,239)	—
Cancelation of a subsidiary's shares		(83)	(22)	—	—	(21)
Cash received from equity-settled share award scheme		—	—	727	—	—
New bank loans		—	1,256,354	93,151	7,266	409,487
Bills endorsed		50,662	—	30,970	—	65,399
Repayment of bank loans		—	(55,000)	(121,125)	(16,788)	(751,283)
Repayment of bills payable		(99,557)	(25,214)	(30,970)	(9,131)	(22,167)
Acquisition of non-controlling shareholders		—	(15,231)	(36,891)	(24,557)	—
(Advance)/settlement of an advance to shareholders		(27,250)	(18,384)	2,266	2,266	(4,285)
Increase in amounts due to shareholders		—	—	—	—	477,114

I HISTORICAL FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Section II notes	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Decrease/(increase) in pledged deposits		16,781	(1,708)	(20,658)	7,050	(122,117)
Dividends paid		(62,265)	(38,755)	(83,135)	(41,049)	(44,231)
Interest paid		(1,207)	(22,395)	(78,016)	(29,150)	(41,622)
Capital contributions from non-controlling shareholders		115	184,853	—	—	—
Net cash flows (used in)/from financing activities		(121,052)	1,250,085	(260,788)	(113,600)	(42,211)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(38,364)	88,785	(36,753)	22,500	(29,123)
Cash and cash equivalents at beginning of year/period		175,332	127,220	211,003	211,003	180,872
Effect of foreign exchange rate changes, net		(9,748)	(5,002)	6,622	(11,369)	726
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		127,220	211,003	180,872	222,134	152,475
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	25	127,220	211,003	180,872	222,134	152,475

I HISTORICAL FINANCIAL INFORMATION—continued

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statements of financial position of the Company as at December 31, 2018 and as at June 30, 2019 are as follows:

	December 31, 2018	June 30, 2019
	US$'000	US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—	318,423
Total non-current assets	—	318,423
CURRENT ASSETS		
Prepayments, other receivables and other assets	—	8,249
Cash and cash equivalents	—	11,579
Due from a subsidiary	—	451,000
Total current assets	—	470,828
CURRENT LIABILITIES		
Other payables and accruals	—	(12,340)
Due to subsidiaries	(7)	(176)
Due to shareholders	—	(463,750)
Total current liabilities	(7)	(476,266)
Net assets	(7)	312,985
Equity		
Owners' equity	—	317,252
Deficits	(7)	(4,267)
Total equity	(7)	312,985

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

JS Global Lifestyle Company Limited (JS 环球生活有限公司, the "Company") is a limited liability company incorporated in the Cayman Islands on July 26, 2018, with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares with par value of US$0.0001 each. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities in the United States, the People's Republic of China (the "PRC"), Japan, the United Kingdom and other European countries:

- Design, manufacture, marketing, export and distribution of small kitchen electrical appliances under the brand of "Joyoung".
- Design, marketing, manufacture, export, import and distribution of a full range of floor care products, hard-surface steam cleaning products, small kitchen appliances and garment care products under the brand of "Shark" and "Ninja".

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

As at the date of this report, the Company had direct or indirect interests in its subsidiaries. Except for Joyoung Co., Ltd. and its subsidiaries, which are listed on the Shenzhen Stock Exchange, all of the Company's subsidiaries are private limited liability companies, the particulars of the major subsidiaries are set out below:

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
JY-SN Company Limited[(b)(p)] ("JY-SN")	British Virgin Islands	April 2018	HK$1	—	—	100	100	Investment holding
Bilting Development Limited[(p)]	British Virgin Islands	October 2004	US$50,000	—	—	—	100	Investment holding
Easy Appliance Limited[(p)]	British Virgin Islands	October 2018	US$50,000	—	—	100	100	Investment holding
Easy Appliance Hong Kong Limited[(p)]	Hong Kong	November 2018	HK$1	—	—	100	100	Investment holding
Sunshine Rise Company Limited[(b)(p)] ("Sunshine Rise")	Hong Kong	April 2018	HK$1	—	—	100	100	Investment holding
Shanghai Lihong Enterprises Management Co., Ltd.[(a)(e)(p)] ("上海力鸿企業管理有限公司") ("Shanghai Lihong")	PRC/Mainland China	February 2003	RMB52.2 million/ RMB321.4 million	84	84	84	84	Enterprise management, retailing of home appliance products, import and export business
SharkNinja Operating LLC[(b)(p)]	United States	July 2003	—	—	41	41	100	Manufacture and sale of home appliance products
SharkNinja Management LLC[(b)(p)]	United States	July 2003	—	—	41	41	100	Manufacture and sale of home appliance products
SharkNinja Sales Company[(b)(p)]	United States	February 2013	—	—	41	41	100	Retailing of home appliance products

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
SharkNinja (Hong Kong) Company Limited[o][p]	Hong Kong	November 2017	HK$1	—	41	41	100	Home appliances research and development, import and export business and equity investment
Euro-Pro Commerce Consulting (Shenzhen) Co., Ltd.[a][m][p] ("歐優普洛商務諮詢(深圳)有限公司")	PRC/Mainland China	May 2011	RMB100,000	—	41	41	100	Manufacture and sale of home appliance products, marketing, supply chain management and consultancy
Shenzhen SharkNinja Technology Co., Ltd.[a][f][p] ("深圳尚科寧家科技有限公司")	PRC/Mainland China	March 2018	RMB13.5 million	—	—	41	100	Manufacture and sale of home appliance products, marketing, supply chain management and consultancy
Suzhou SharkNinja Technology Co., Ltd.[a][f][p] ("蘇州尚科寧家科技有限公司")	PRC/Mainland China	February 2018	US$1 million	—	—	41	100	Manufacture and sale of home appliance products, marketing, supply chain management and consultancy
Hangzhou SharkNinja Commerce Consulting Co., Ltd.[a][f][p] ("杭州尚科寧家商務諮詢有限公司")	PRC/Mainland China	March 2018	US$100,000	—	—	41	100	Manufacture and sale of home appliance products, marketing, supply chain management and consultancy
SharkNinja UK Ltd.[b][p]	United Kingdom	November 2018	—	—	—	41	100	Investment holding

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
SharkNinja EPE Ltd.[b][p]	United Kingdom	November 2018	—	—	—	41	100	Investment holding
Global Appliance UK HoldCo Limited[k][p]	United Kingdom	July 2017	GBP109	—	41	41	100	Investment holding
Compass Cayman SPV, Limited[g][p] ("Compass")	Cayman Islands	June 2017	US$50,000	—	41	41	100	Investment holding
Compass Cayman SPV2 Limited[b][p]	Cayman Islands	July 2017	US$1/ US$50,000	—	41	41	100	Investment holding
Global Appliance LLC[b][p]	United States	June 2017	US$0.1	—	41	41	100	Investment holding
Euro-Pro HoldCo, LLC[h][p]	United States	November 2014	—	—	41	41	100	Investment holding
EP Midco LLC[b][p]	United States	November 2014	—	—	41	41	100	Investment holding
Euro-Pro International Holding Company[b][p]	United States	December 2008	—	—	41	41	100	Investment holding
Euro-Pro Europe Ltd.[i][p]	United Kingdom	April 2013	GBP100	—	41	41	100	Manufacture and sale of home appliance products
SharkNinja Co., Ltd.[b][p]	Japan	July 2017	JPY1 million	—	41	41	100	Manufacture and sale of home appliance products
UK Euro-Pro Limited[j][p]	United Kingdom	September 2013	GBP100	—	41	41	100	Manufacture and sale of home appliance products

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
Euro-Pro Hong Kong Limited[(l)(p)]	Hong Kong	September 2010	HK$2/ HK$10,000	—	41	41	100	Investment holding and provision of consulting services
Euro-Pro Suzhou Technical Advisory Services Co., Ltd.[(a)(n)(p)] ("蘇州歐優普洛技術諮詢服務有限公司")	PRC/Mainland China	August 2013	RMB250,000	—	41	41	100	Provision of design services, technical consulting services and strategic planning services
Zheng Hong Development Company Limited[(d)(p)] ("Zheng Hong")	Hong Kong	May 2016	EUR41 million	84	84	84	84	Investment holding
Chen Hong Company Limited[(b)(p)] ("Chen Hong")	British Virgin Islands	July 2017	US$1	—	84	84	84	Investment holding
Xiang Hong Company Limited[(b)(p)] ("Xiang Hong")	British Virgin Islands	July 2017	US$1	—	84	84	100	Investment holding
Global Appliance 1 Limited[(b)(p)]	Cayman Islands	July 2017	US$200/ US$50,000	—	59	59	100	Investment holding
Global Appliance 2 Limited[(b)(p)]	Cayman Islands	July 2017	US$200/ US$50,000	—	59	59	100	Investment holding
Joyoung Co., Ltd.[(a)(c)(p)(q)] ("九陽股份有限公司")	PRC/Mainland China	July 2002	RMB768.5 million	40	40	42	59	Manufacture and sale of home appliance products, housing leasing, advertising and consultancy

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
Joyoung Household Electric Appliances[a][c][p][q] ("杭州九陽小家電有限公司" 曾用名: "杭州九陽歐南多小家電有限公司")	PRC/Mainland China	September 2007	RMB976.3 million	30	40	42	59	Research and development, manufacture and sale of home appliance products, import and export business
Hangzhou Joyoung Life Electric Co., Limited[a][c][p][q] ("杭州九陽生活電器有限公司")	PRC/Mainland China	November 2010	RMB3 million	40	40	42	59	Manufacture and sale of home appliance products
Hangzhou Joyoung Water Purification System Co., Limited[a][c][p][q] ("杭州九陽淨水系統有限公司")	PRC/Mainland China	January 2011	RMB81 million	37	37	38	55	Research and development, manufacture and sale of water purification equipment, import and export business
Hangzhou Joyoung Electronic Technology Co., Limited[a][c][p][q] ("杭州九陽電子信息技術有限公司")	PRC/Mainland China	December 2012	RMB50 million	40	40	42	59	IT technology development, e-commerce, manufacture, wholesale and retailing of home appliance products
Joyoung Holdings (Hong Kong) Limited[a][c][p][q] ("九陽股份(香港)有限公司")	Hong Kong	November 2013	RMB5.6 million	40	40	42	59	Manufacture and sale of home appliance products, marketing, supply chain management, consultancy and import and export business

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
Jinan Joyoung Wanjia Real Estate Co., Limited[a)(c)(p)(q)] ("濟南九陽萬家置業有限公司")	PRC/Mainland China	July 2018	RMB5 million	—	—	42	59	Property management services, real estate development, conference and exhibition and consultancy
SharkNinja (China) Technology Co., Limited[a)(f)(p)(q)] ("尚科寧家(中國)科技有限公司")	PRC/Mainland China	February 2018	RMB50 million	—	—	42	79	Sale, installation and maintenance of home appliance products, e-commerce, import and export business
Tonglu Joyoung Electronic Commerce Co., Limited[a)(c)(p)(q)] ("桐廬九陽電子商務有限公司")	PRC/Mainland China	September 2013	RMB3 million	40	40	42	59	E-commerce, manufacture and sale of home appliance products
Hangzhou Joyoung bean industry Co., Limited[a)(c)(p)] ("杭州九陽豆業有限公司") ("Hangzhou Joyoung")	PRC/Mainland China	November 2008	RMB14.2 million	67	67	—	—	Research, development, manufacture and sale of home appliance products and research, development and sale of soymilk drinks
Hangzhou Joyoung Electric Appliances Co., Limited[a)(c)(p)(q)] ("杭州九陽小家電有限公司")	PRC/Mainland China	April 2006	RMB92.6 million	30	40	—	—	Enterprise management, manufacture, retailing of home appliance products, import and export business

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

Name	Place of incorporation/ registration and business	Date of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				As at December 31,			As at June 30,	
				2016	2017	2018	2019	
Suzhou Joyoung Electric Appliances Co., Limited[a][c][p][q] ("維力醫療科技發展（蘇州）有限公司" 曾用名: "蘇州九陽小家電有限公司") ("Suzhou Joyoung")	PRC/Mainland China	December 2004	RMB31.8 million	30	40	—	—	Manufacture and sale of home appliance products
Shandong Joyoung Bean Industry Co., Limited[a][c][p][q] ("山東九陽豆業發展有限公司")	PRC/Mainland China	October 2007	RMB10 million	40	40	—	—	Manufacture and sale of other grain processed, production of soy milk raw materials; grain purchase and storage, and development of new varieties of grain
Hangzhou Onecup Food Technology Co., Limited[a][c][p][q] ("杭州易杯食品科技有限公司") ("Hangzhou Onecup")	PRC/Mainland China	February 2016	RMB17.4 million	33	—	—	—	Manufacture and sale of solid beverages, tea-made products and home appliances, import and export business

Notes:

(a) The English names of all subsidiaries established in the PRC are translated for identification purposes only.

(b) No audited financial statements have been issued for these entities for the years ended December 31, 2016, 2017 and 2018.

(c) The statutory financial statements of these entities for the years ended December 31, 2016, 2017 and 2018 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by 天健會計師事務所 (特殊普通合夥).

(d) The statutory financial statements of the entity for the years ended December 31, 2017 and 2018 prepared under Hong Kong Financial Reporting Standards for Private Entities were audited by 中天會計師事務所有限公司.

(e) The statutory financial statements of this entity for the years ended December 31, 2016, 2017 and 2018 prepared under PRC GAAP were audited by 上海上諮會計師事務所有限公司, 上海申亞會計師事務所有限公司 and 中磊會計師事務所有限責任公司.

(f) The statutory financial statements of these entities for the year ended December 31, 2018 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE AND GROUP INFORMATION—continued

(g) The statutory financial statements of this entity for the four-month period ended December 31, 2017 and the year ended December 31, 2018 prepared under International Financial Reporting Standards ("IFRSs") were audited by Ernst & Young Hua Ming LLP.

(h) The consolidated financial statements of this entity for the nine-month period ended December 31, 2017 prepared under accounting principles generally accepted in the United States of America ("US GAAP") were audited by Ernst & Young LLP.

(i) The statutory financial statements of the entity for the years ended March 31, 2016, March 31, 2017 and the nine-month period ended December 31, 2017 prepared under accounting principles generally accepted in the United Kingdom ("UK GAAP") were audited by Ernst and Young LLP.

(j) The statutory financial statements of the entity for the years ended March 31, 2016, March 31, 2017 and the nine-month period ended December 31, 2017 prepared under UK GAAP were audited by Brown Butler.

(k) The statutory financial statements of the entity for the period ended December 31, 2018 prepared under UK GAAP were audited by Brown Butler.

(l) The statutory financial statements of the entity for the years ended March 31, 2016, March 31, 2017 and the nine-month period ended December 31, 2017 prepared under Hong Kong Financial Reporting Standards ("HKFRS") were audited by RSM Hong Kong.

(m) The statutory financial statements for the entity for the years ended December 31, 2016, 2017 and 2018 prepared under PRC GAAP were audited by Jiahe CPA firm.

(n) The statutory financial statements for the entity for the years ended December 31, 2016, 2017 and 2018 prepared under PRC GAAP were audited by Huyxin CAP firm.

(o) The statutory financial statements for the entity for the year ended December 31, 2018 prepared under HKFRS were audited by Ernst & Young Hua Ming LLP.

(p) No audited financial statements have been issued for all these entities for the six months ended June 30, 2019.

(q) The general meeting of shareholders of Joyoung Co., Ltd. (the "General Meeting") is the highest authority of Joyoung Co., Ltd.. Immediately before the Reorganization, Joyoung Co., Ltd. was held by Shanghai Lihong as to 48.77%. The remaining shares of Joyoung Co., Ltd. were widely held, and no party had interest of sufficient size either by itself or in aggregate with a small number of others to vote against Shanghai Lihong in the General Meeting. As such, Shanghai Lihong achieved control over Joyoung Co., Ltd. and its subsidiaries before the Reorganization.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on December 4, 2018. As the Reorganization involved inserting new holding companies at the top of an existing group, that have resulted in a change of the respective voting and beneficial interests. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis as a continuation of the existing group by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods and the six months ended June 30, 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial liabilities associated with put option.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the directors of the Group to exercise judgment in the process of applying the Group's accounting policies. The area including a higher

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.2 BASIS OF PREPARATION—continued

degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note II 3.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. As explained in note II 2.1 above, the Historical Financial Information for the Relevant Periods has been prepared on a consolidated basis using the merger accounting.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which are applicable to the Group's operation, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[(1)]
IFRS 17	*Insurance Contracts*[(2)]
Amendments to IAS 1 and IAS 8	*Definition of Material*[(1)]

Notes:

(1) Effective for annual periods beginning on or after January 1, 2020.

(2) Effective for annual periods beginning on or after January 1, 2021.

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from January 1, 2020.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace the existing IFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2021. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard is not expected to have any impact on the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or a joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or a joint venture are eliminated to the extent of the Group's investments in the associates or a joint venture, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments in associates and a joint venture—continued

When an investment in an associate or joint venture is classified as assets held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Business combinations and goodwill—continued

cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss, financial assets designated at fair value through other comprehensive income and financial liabilities associated with put option at the end of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Related parties—continued

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5% to 19.0%
Leasehold improvements	Over the shorter of the lease terms and estimated useful life
Furniture and fixtures	9.0% to 48.5%
Machinery	9.0% to 33.3%
Motor vehicles	11.3% to 23.8%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Property, plant and equipment and depreciation—continued

Construction in progress represents the Group's buildings, furniture and fixtures, and machinery under construction and leasehold improvements, which are stated at cost less any impairment loss, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life of 20 to 40 years.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its carrying amount at the date of change in use and vice versa. No gain or loss is recognized in profit or loss during the change in use of the property.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life of 2.5 to 12.5 years and assessed for

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Intangible assets (other than goodwill)—continued

impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

The cost of trademarks acquired in the business combination is the fair value at the date of acquisition. The Group intends to continuously renew the trademarks and such renewal is expected to be at little costs. Thus, the useful lives of these trademarks are considered to be indefinite as it is expected to contribute to net cash inflow of the Group indefinitely. Considering their indefinite useful lives, the trademarks are not amortized and individually tested for impairment annually. The useful life of trademark is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Purchased patents are amortized on the straight-line basis over their remaining legal life of 2.5 to 12.5 years since being purchased.

The patents acquired in business combinations included a wide range portfolio of patents which covers and protects the design and utility for the technology that were applied in the Euro-Pro Group's products. Each patent can contribute to several products and can be used for several generations of products. The Group's technology is considered one of the successful factors to the business and operation. Based on historical lives of the Group's products and technology, the technology content growth is slow and existing technology will be gradually developed and replaced by new technology. Management expected most of the estimated economic benefit would be realized in 10 years even though the remaining legal term of individual registered patents are 15 years. The patents acquired in business combinations are subsequently amortized on the straight-line basis of 10 years, which is the shorter of the legal terms and the estimated useful life.

Retailer relationships

The Euro-Pro Group sells to most of the major retailers in the US and Canada (for example Walmart, Costco, Amazon). This retailer base has been very stable for many years. The retailer relationships can ensure that the Company has shelf space at these retailers. The Company expected most of the estimated economic benefit will be realized in 9 years based on yearly attrition in revenue generated from these existing relationships. The retailer relationships acquired in business

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Intangible assets (other than goodwill)—continued

Retailer relationships—continued

combinations are subsequently amortized on the straight-line basis over their estimated useful lives of 9 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Certain external consulting, prototype and legal expenditures incurred on projects to develop new core components of new product categories are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortized on the straight-line basis from the date when they are available for use over their estimated useful lives of 10 years with reference to the historical life cycle of core components of a similar kind which can be utilized in several generations of products.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of 5 to 10 years.

Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the full retrospective method since the beginning of the Relevant Periods. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Leases—continued

value ("low-value assets"). The Group recognized right-of-use assets of US$6,345,000, US$64,499,000, US$58,840,000 and US$64,098,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, and lease liabilities of US$6,444,000, US$67,691,000, US$63,592,000 and US$69,595,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019 upon adoption of IFRS 16. It is considered that the adoption of IFRS 16 did not have a significant impact on the performance of the Group during the Relevant Periods.

The Group has lease contracts for various items of buildings, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rental expenses in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under prepayments and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group has applied IFRS 16 since January 1, 2016.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments and other financial assets—continued

Initial recognition and measurement—continued

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as financial assets designated at fair value through other comprehensive income when they meet the

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments and other financial assets—continued

Subsequent measurement—continued

Financial assets designated at fair value through other comprehensive income (equity investments)—continued

definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Financial assets designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Derecognition of financial assets—continued

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of financial assets—continued

General approach—continued

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities (other than those associated with put option)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and lease liabilities.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial liabilities (other than those associated with put option)—continued

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Financial liabilities associated with put option

Put option are financial instruments granted by the Group whereby counterparties may have the rights to request the Group to purchase their own equity interests or other financial assets when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or other financial assets under the put option, the Group has to recognize a financial liability at the present value of the estimated future cash outflows under the put option. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. At the end of each reporting period, the Group recalculates the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's effective interest rate and adjusting to its carrying amount is to be recognized as income or expenses in profit or loss. If the put option expires without being exercised, the carrying amount of the liability will be reclassified as equity.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Offsetting of financial instruments—continued

amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including current deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Income tax—continued

substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Income tax—continued

on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Some contracts for the sale of products provide customers with rights of return and sales rebate. The Group provides extended warranties which are accounted for as service-type warranties. The rights

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Revenue from contracts with customers—continued

of return and sales rebates give rise to variable consideration. Consideration payable to a customer also includes credit that can be applied against amounts owed to the Group. The Group accounts for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service.

(i) Variable consideration

(a) Rights of return

For contracts which provide a customer with a right to return the goods, either the expected value method or the most likely amount method is used to estimate the goods for different contracts that will not be returned. The selected method best predicts the amount of variable consideration to which the Group will be entitled for different contracts and customers. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(b) Sales rebates

Various types of sales rebates may be provided to different customers. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used. Because this method best predicts the amount of variable consideration in the contract, given the large number of customer contracts that have similar characteristics. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

(ii) Consideration payable to a customer

The Group accounts for consideration payable to a customer as a reduction of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. If the consideration payable to a customer includes a variable amount, the Group estimates the transaction price, including assessing whether the estimate of variable consideration is constrained. To estimate the variable consideration, the most likely amount method is used, as this method best predicts the amount of variable consideration, given the large number of customer contracts that have similar characteristics.

(iii) Extended warranties

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Revenue from contracts with customers—continued

(iii) Extended warranties—continued

However, in certain contracts, the Group provides extended warranties. Such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Group recognize contract liabilities for the unfulfilled extended warranties by allocating a portion of the transaction price based on the relative stand-alone selling price. Revenue is subsequently recognized over time based on the time elapsed.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognized on a time proportion basis over the lease terms.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Right-of-return assets

A right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Share-based payments

Some subsidiaries of the Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer, further details of which are given in note II 33.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market condition or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Other employee benefits

PRC contribution plan

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organized by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to profit or loss as incurred.

Defined contribution plan

Some subsidiaries of the Group maintain a defined contribution retirement plan under Section 401(k) of the United States Internal Revenue Code. The plan covers all United States full-time employees of the Group. An eligible employee may elect to make a before-tax contribution of 100% of his other compensation through payroll deductions with a dollar limit of nil, US$18,000, US$18,500, US$18,500 and US$19,000 for the years ended December 31, 2016, 2017, 2018, and the six months ended June 30, 2018 and 2019, respectively. The Group matches the first 3% of participant contributions at 100% and the next 2% of contributions at 50%, for a maximum matching percentage of 4%.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than US$. As at the end of each reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into US$ at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Foreign currencies—continued

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount of revenue from contracts with customers:

(i) Determining the method to estimate variable consideration and assessing the constraint for the sale of products

Certain contracts for the sale of products include a right of return and sales rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that using a combination of the most likely amount and the expected value method is appropriate in estimating the variable consideration for the sale of products with rights of return. The selected method best predicts the amount of variable consideration to which the Group will be entitled for different contracts and customers. In estimating the variable consideration for the sale of products with sales rebates and consideration payable to a customer, the Group determined that using the most likely amount method is appropriate.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Judgments—continued

Revenue from contracts with customers—continued

determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

(ii) Operating lease commitments—Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for returns, sales rebates and consideration payable to a customer

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return, sales rebates and consideration payable to a customer.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected sales rebates are analyzed on a per customer basis for contracts that are subject to different percentages of gross purchase by product categories. Determining whether a customer will likely be entitled to a sales rebates depends on the customer's historical rebate entitlement and accumulated purchases to date and the negotiated terms of the sales rebates programs.

The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group's expected consideration payable to customers is analysed on a per customer basis. Determining whether a customer will likely be entitled to the payment and whether the payment will be for a distinct good or service from the customer depends on the customer's historical entitlement and the negotiated terms of the different promotion programs.

The Group updates its assessment of expected returns, sales rebates and consideration payable to a customer monthly and the refund liabilities are adjusted accordingly. Estimates of expected

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Variable consideration for returns, sales rebates and consideration payable to a customer—continued

returns, sales rebates and consideration payable to a customer are sensitive to changes in circumstances and the Group's past experience regarding returns, sales rebates and consideration payable to a customer entitlements may not be representative of customers' actual returns, sales rebates and consideration payable to a customer entitlements in the future. The amounts recognized as refund liabilities were US$20,478,000, US$107,274,000, US$134,411,000 and US$123,649,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019 for the expected returns, sales rebates and consideration payable to a customer.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were nil, US$839,767,000, US$839,767,000 and US$839,767,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019. Further details are given in note II 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note II 16 and 18.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognized tax losses were US$201,000, US$4,049,000, US$3,400,000 and US$3,640,000, respectively, as at December 31, 2016, 2017 and

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Deferred tax assets—continued

2018, June 30, 2019. The amounts of unrecognized tax losses were US$376,000, US$16,723,000, US$24,806,000 and US$18,572,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019.

Fair value of financial assets

Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimates is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Group classifies the fair value of these financial assets as Level 3. The fair values of the financial assets were US$233,591,000, US$146,199,000, US$112,290,000 and US$145,079,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019. Further details are included in note II 20.

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development costs in note II 2.4. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. The best estimates of the carrying amount of capitalized development costs were nil, US$2,358,000, US$17,878,000 and US$23,747,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on operation and has three reportable operating segments of Joyoung, SharkNinja and Other.

(a) the Joyoung segment was involved in the design, manufacture, marketing, export and distribution of small kitchen electrical appliances;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

(b) the SharkNinja segment was involved in the design, marketing, manufacture, export, import and distribution of a full range of floor care products, hard-surface steam cleaning products, small kitchen appliances and garment care products; and

(c) the "Other" segment was involved in the manufacture and distribution of commercial soymilk makers, production and sales of soymilk powder. This segment was disposed in August 2018.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted net profit before tax. The adjusted net profit before tax is measured consistently with the Group's profit before tax except the head office and corporate income and expenses which are excluded from such measurement. The head office and corporate income and expenses include exchange gain or loss, interest income, finance costs, gain or loss on disposal of subsidiaries at corporate level, and other unallocated corporate income and expenses.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended December 31, 2016	Joyoung	SharkNinja	Other	Total
	US$'000	US$'000	US$'000	US$'000
Segment revenue				
Sales to external customers	1,080,263	—	22,716	1,102,979
Intersegment sales	—	—	537	537
	1,080,263	—	23,253	1,103,516
Reconciliation				
Elimination of intersegment sales				(537)
Revenue (note II 5)				1,102,979
Segment results	137,325	—	3,563	140,888
Reconciliation:				
Interest income				91
Exchange gain				4
Unallocated income				2,723
Corporate and other unallocated expenses				(1,522)
Profit before tax				142,184
Other segment information				
Share of profits and losses of associates	(2,480)	—	—	(2,480)
Impairment losses recognized/(reversed) in the statements of profit or loss	5,812	—	(3,382)	2,430
Depreciation and amortization	13,688	—	38	13,726
Interest income	1,694	—	33	1,727
Finance costs	1,445	—	—	1,445
Investments in associates	25,159	—	—	25,159
Capital expenditure*	11,554	—	64	11,618

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Year ended December 31, 2017	Joyoung	SharkNinja	Other	Total
	US$'000	US$'000	US$'000	US$'000
Segment revenue				
Sales to external customers	1,053,501	476,608	33,319	1,563,428
Intersegment sales	—	—	340	340
	1,053,501	476,608	33,659	1,563,768
Reconciliation:				
Elimination of intersegment sales				(340)
Revenue (note II 5)				1,563,428
Segment results	114,829	5,117	5,915	125,861
Reconciliation:				
Interest income				124
Exchange gain				114
Gain on disposal of a subsidiary				1,626
Unallocated income				3,666
Finance costs				(16,133)
Corporate and other unallocated expenses				(13,340)
Profit before tax				101,918
Other segment information				
Share of profits and losses of associates	3,245	—	—	3,245
Impairment losses recognized/(reversed) in the statements of profit or loss	1,315	272	(630)	957
Depreciation and amortization	14,106	15,541	24	29,671
Interest income	1,316	—	64	1,380
Finance costs	1,315	708	—	2,023
Investments in associates	37,220	—	—	37,220
Capital expenditure*	4,854	715,149	7,760	727,763

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Year ended December 31, 2018	Joyoung	SharkNinja	Other	Total
	US$'000	US$'000	US$'000	US$'000
Segment revenue				
Sales to external customers	1,178,970	1,477,445	25,499	2,681,914
Intersegment sales	31,100	3,475	395	34,970
	1,210,070	1,480,920	25,894	2,716,884
Reconciliation:				
Elimination of intersegment sales				(34,970)
Revenue (note II 5)				2,681,914
Segment results	129,869	79,597	3,270	212,736
Reconciliation:				
Interest income				242
Exchange gain				62
Loss on disposal of a subsidiary				(1,905)
Unallocated income				4,810
Finance costs				(71,617)
Corporate and other unallocated expenses				(3,935)
Profit before tax				140,393
Other segment information				
Share of profits and losses of associates	5,809	—	—	5,809
Impairment losses recognized/(reversed) in the statements of profit or loss	1,277	3,050	(196)	4,131
Depreciation and amortization	13,777	73,646	75	87,498
Interest income	1,794	100	47	1,941
Finance costs	3,815	2,841	—	6,656
Gain on disposal of a subsidiary	9,755	—	—	9,755
Investments in associates	36,003	—	—	36,003
Capital expenditure*	21,886	75,848	—	97,734

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Six months ended June 30, 2018	Joyoung	SharkNinja	Other	Total
	US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Segment revenue				
Sales to external customers	563,136	570,274	20,510	1,153,920
Intersegment sales	—	2,541	129	2,670
	563,136	572,815	20,639	1,156,590
Reconciliation:				
Elimination of intersegment sales				(2,670)
Revenue (note II 5)				1,153,920
Segment results	66,177	(2,807)	2,544	65,914
Reconciliation:				
Interest income				122
Exchange gain				1
Unallocated income				189
Finance costs				(35,125)
Corporate and other unallocated expenses				(4,625)
Profit before tax				26,476
Other segment information				
Share of profits and losses of associates	5,717	—	—	5,717
Impairment losses recognized in the statements of profit or loss	3,019	483	29	3,531
Depreciation and amortization	7,346	31,787	56	39,189
Interest income	438	—	48	486
Finance costs	307	1,414	—	1,721
Gain on disposal of a subsidiary	11,660	—	—	11,660
Investments in associates	32,761	—	—	32,761
Capital expenditure*	2,026	30,132	—	32,158

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Six months ended June 30, 2019	Joyoung	SharkNinja	Total
	US$'000	US$'000	US$'000
Segment revenue			
Sales to external customers	572,318	663,518	1,235,836
Intersegment sales	37,572	6,206	43,778
	609,890	669,724	1,279,614
Reconciliation:			
Elimination of intersegment sales			(43,778)
Revenue (note II 5)			1,235,836
Segment results	69,506	7,607	77,113
Reconciliation:			
Interest income			85
Exchange loss			(1,731)
Finance costs			(40,797)
Corporate and other unallocated expenses			(5,720)
Profit before tax			28,950
Other segment information			
Share of profits and losses of a joint venture and associates	92	—	92
Impairment losses recognized in the statements of profit or loss	513	859	1,372
Depreciation and amortization	7,779	36,334	44,113
Interest income	1,859	—	1,859
Finance costs	1,841	1,355	3,196
Investments in a joint venture and associates	39,259	—	39,259
Capital expenditure*	15,790	30,173	45,963

Note:

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, right-of-use assets and other intangible assets including assets from the acquisition of a subsidiary.

Geographical information

(a) Revenue from external customers

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Mainland China	1,080,969	1,065,826	1,189,742	577,224	562,986
North America	7,481	447,399	1,310,458	506,800	551,847
Europe	4,838	36,376	132,127	55,476	91,854
Other countries/regions	9,691	13,827	49,587	14,420	29,149
	1,102,979	1,563,428	2,681,914	1,153,920	1,235,836

The revenue information above is based on the locations of the customers.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. OPERATING SEGMENT INFORMATION—continued

Geographical information—continued

(b) Non-current assets

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Mainland China	165,652	169,742	151,572	159,620
North America	—	693,109	683,636	677,178
Europe	—	1,489	1,765	1,486
Other countries/regions	—	4,817	16,212	16,791
	165,652	869,157	853,185	855,075

The non-current asset information above is based on the locations of the assets and included property, plant and equipment, investment properties, prepaid land lease payments, right-of-use assets, intangible assets other than goodwill.

Information about major customers

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the Relevant Periods.

5. REVENUE

An analysis of the Group's revenue for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019 was as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Revenue from contracts with customers					
Sale of goods and provision of extended warranties	1,102,979	1,563,428	2,681,914	1,153,920	1,235,836

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Geographical markets					
Mainland China	1,080,969	1,065,826	1,189,742	577,224	562,986
North America	7,481	447,399	1,310,458	506,800	551,847
Europe	4,838	36,376	132,127	55,476	91,854
Other countries/regions	9,691	13,827	49,587	14,420	29,149
Total revenue from contracts with customers	1,102,979	1,563,428	2,681,914	1,153,920	1,235,836

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

Revenue from contracts with customers—continued

(a) Disaggregated revenue information—continued

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Timing of revenue recognition					
Goods transferred at a point in time	1,102,979	1,563,270	2,681,297	1,153,606	1,235,539
Services transferred over time	—	158	617	314	297
Total revenue from contracts with customers	1,102,979	1,563,428	2,681,914	1,153,920	1,235,836

The following table shows the amounts of revenue recognized in the Relevant Periods that were included in the contract liabilities at the beginning of each period:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Sale of goods and provision of extended warranties	45,611	33,822	19,185	18,920	60,403

(b) Performance obligations

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

Sale of home appliance products

The performance obligation is satisfied upon delivery of the home appliance products and payment is generally due within 30 to 60 days from delivery. Some contracts provide customers with a right of return, sales rebates and extended warranties which give rise to variable consideration subject to constraint.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Within one year	33,822	19,185	60,668	31,780	22,676
More than one year	—	1,413	1,224	1,390	1,122
	33,822	20,598	61,892	33,170	23,798

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6. OTHER INCOME AND GAINS

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Other income					
Bank interest income	1,818	1,504	2,183	608	1,944
Rental income	1,254	1,348	969	432	384
Government grants	9,218	9,995	10,272	977	2,885
Others	1,825	1,926	1,066	40	146
	14,115	14,773	14,490	2,057	5,359
Gains					
Gain on disposal of items of property, plant and equipment	7,033	230	16,293	46	34
Gain on disposal of an investment property	—	—	1,863	1,863	—
Gain on financial assets at fair value through profit or loss, net	17,948	5,675	742	—	5,988
Gain on disposal of subsidiaries (note II 37)	—	1,626	9,755	11,660	—
Others	1,971	642	1,319	1,617	935
	26,952	8,173	29,972	15,186	6,957
	41,067	22,946	44,462	17,243	12,316

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

7. PROFIT BEFORE TAX

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

	Notes II	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Cost of inventories sold		751,577	1,044,293	1,682,871	728,526	773,716
Depreciation		10,744	20,061	51,906	22,424	25,854
Amortization of prepaid land lease payments	15	520	512	468	263	202
Amortization of right-of-use assets*	17	1,871	4,900	12,946	6,361	7,689
Amortization of other intangible assets*	18	591	4,198	22,178	10,141	10,368
Research and development costs		33,496	55,849	118,942	56,586	60,031
Payments of low-value/short-term leases		2,981	2,583	2,873	1,149	725
Auditor's remuneration		319	627	1,082	427	300
Listing fee		—	—	—	—	5,845
Employee benefit expense (excluding directors' and chief executive's remuneration):						
Wages and salaries		50,571	80,434	184,944	95,339	108,914
Equity-settled share award expense		499	413	4,839	1,078	2,770
Pension scheme contributions		4,316	5,383	8,022	3,507	3,601
		55,386	86,230	197,805	99,924	115,285
Foreign exchange differences, net		(919)	991	(298)	(132)	1,795
Changes in carrying amount of financial liabilities associated with put option***	31	—	7,123	28,817	14,408	15,069
Impairment/(reversal of impairment) of inventories	22	1,001	(1,621)	69	(706)	61
Impairment of financial assets:						
Impairment of trade receivables, net	23	1,311	2,252	3,759	2,886	1,276
Impairment of financial assets included in prepayments, other receivables and other assets		118	326	303	1,351	35
		1,429	2,578	4,062	4,237	1,311
Product warranty provision:						
Additional provision		—	3,199	8,862	3,630	3,381
Gain on disposal of items of property, plant and equipment		7,033	230	16,293	46	34
Gain on disposal of investment properties		—	—	1,863	1,863	—
Gain/(loss) on financial assets at fair value through profit or loss, net		17,948	5,675	742	(2,216)	5,988
Gain on disposal of subsidiaries		—	1,626	9,755	11,660	—
Government grants**		9,218	9,995	10,272	977	2,885

Notes:

* The amortization of right-of-use assets and the amortization of patents, retailer relationship, capitalized development costs and software for the Relevant Periods are included in "Administrative expenses" and "Selling and distribution expenses" in the consolidated statements of profit or loss.

** Various government grants have been received for setting up research activities and alleviating unemployment in Mainland China. Government grants received for which related expenditure has not yet been undertaken are included in deferred revenue

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

7. PROFIT BEFORE TAX—continued

in the consolidated statements of financial position. There are no unfulfilled conditions or contingencies relating to those grants that have been recognized.

*** The Group has recorded expenses of US$7,123,000, US$28,817,000 and US$15,069,000 related to changes in the carrying amount of financial liabilities associated with put option, which is included in other expenses in profit or loss for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively. For details, refer to note II 31.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Interest on bank loans	—	13,767	61,827	28,919	33,377
Interest on lease liabilities	238	920	2,964	1,490	1,534
Amortization of deferred finance costs	—	2,367	9,518	4,779	6,193
Other finance costs	1,207	1,102	3,964	1,658	2,889
	1,445	18,156	78,273	36,846	43,993

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Wang Xuning was appointed as an executive director and the chief executive officer of the Company in June 2019. Ms. Han Run and Ms. Huang Shuling were appointed as executive directors of the Company in June 2019. Mr. Hui Chi Kin Max and Mr. Stassi Anastas Anastassov were appointed as non-executive directors of the Company in June 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or as employees of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Fees	—	17	17	9	60
Salaries, allowances and benefits in kind	530	541	616	328	317
Performance-related bonuses*	683	698	690	378	374
Pension scheme contributions	15	15	15	9	9
Share award expense**	23	13	269	42	166
	1,251	1,284	1,607	766	926

Notes:

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the net profit plus a percentage of the income of the Group.

** During the Relevant Periods, certain directors were granted share awards, in respect of their services to the Group, under the share awards scheme of the Company, further details of which are set out in note II 33. The fair value of such awards, which has been recognized in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Relevant Periods is included in the above directors' and chief executive's remuneration disclosures.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION—continued

(a) Executive directors, non-executive directors and the chief executive

Year ended December 31, 2016

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share award expense	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Mr. Wang Xuning	—	209	255	5	—	469
Ms. Han Run	—	126	190	5	23	344
Ms. Huang Shuling	—	195	238	5	—	438
	—	530	683	15	23	1,251
Non-executive directors						
Mr. Hui Chi Kin Max	—	—	—	—	—	—
Mr. Stassi Anastas Anastassov	—	—	—	—	—	—
	—	—	—	—	—	—
	—	530	683	15	23	1,251

Year ended December 31, 2017

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share award expense	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Mr. Wang Xuning	—	212	259	5	—	476
Ms. Han Run	—	130	196	5	13	344
Ms. Huang Shuling	—	199	243	5	—	447
	—	541	698	15	13	1,267
Non-executive directors						
Mr. Hui Chi Kin Max	—	—	—	—	—	—
Mr. Stassi Anastas Anastassov	17	—	—	—	—	17
	17	—	—	—	—	17
	17	541	698	15	13	1,284

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION—continued

(a) Executive directors, non-executive directors and the chief executive—continued

Year ended December 31, 2018

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share award expense	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Mr. Wang Xuning	—	238	258	5	—	501
Ms. Han Run	—	162	198	5	154	519
Ms. Huang Shuling ...	—	216	234	5	115	570
	—	616	690	15	269	1,590
Non-executive directors						
Mr. Hui Chi Kin Max	—	—	—	—	—	—
Mr. Stassi Anastas Anastassov	17	—	—	—	—	17
	17	—	—	—	—	17
	17	616	690	15	269	1,607

Six months ended June 30, 2018

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share award expense	Total
	US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Executive directors						
Mr. Wang Xuning	—	127	142	3	—	272
Ms. Han Run	—	86	103	3	24	216
Ms. Huang Shuling ...	—	115	133	3	18	269
	—	328	378	9	42	757
Non-executive directors						
Mr. Hui Chi Kin Max	—	—	—	—	—	—
Mr. Stassi Anastas Anastassov	9	—	—	—	—	9
	9	—	—	—	—	9
	9	328	378	9	42	766

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION—continued

(a) Executive directors, non-executive directors and the chief executive—continued

Six months ended June 30, 2019

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share award expense	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Mr. Wang Xuning	—	122	141	3	—	266
Ms. Han Run	—	87	107	3	95	292
Ms. Huang Shuling	—	108	126	3	71	308
	—	317	374	9	166	866
Non-executive directors						
Mr. Hui Chi Kin Max	—	—	—	—	—	—
Mr. Stassi Anastas Anastassov	60	—	—	—	—	60
	60	—	—	—	—	60
	60	317	374	9	166	926

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid employees

The five highest paid employees included three, two, nil, nil and nil directors and the chief executive during the years ended December 31, 2016, 2017, 2018, and the six months ended June 30, 2018 and 2019, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining two, three, five, five and five highest paid employees who are neither a director nor chief executive of the Company during the years ended December 31, 2016, 2017, 2018, and the six months ended June 30, 2018 and 2019, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Salaries, allowances and benefits in kind	187	771	3,511	1,733	1,616
Performance-related bonuses	280	1,212	4,515	2,404	2,451
Pension scheme contributions	6	10	42	41	36
Share award expense	45	21	385	—	237
	518	2,014	8,453	4,178	4,340

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION—continued

(b) Five highest paid employees—continued

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
HK$1,000,001 to HK$1,500,000 (equivalent to US$150,001 to US$225,000)	1	—	—	—	—
HK$1,500,001 to HK$2,500,000 (equivalent to US$225,001 to US$375,000)	1	—	—	2	—
HK$2,500,001 to HK$3,000,000 (equivalent to US$375,001 to US$450,000)	—	1	—	—	1
HK$3,000,001 to HK$3,500,000 (equivalent to US$450,001 to US$525,000)	—	—	—	1	2
HK$5,000,001 to HK$5,500,000 (equivalent to US$750,001 to US$825,000)	—	2	1	—	—
HK$5,500,001 to HK$6,000,000 (equivalent to US$825,001 to US$900,000)	—	—	1	—	—
HK$6,500,001 to HK$7,000,000 (equivalent to US$975,001 to US$1,050,000)	—	—	1	—	—
HK$9,500,001 to HK$10,000,000 (equivalent to US$1,425,001 to US$1,500,000)	—	—	—	—	1
HK$10,000,001 to HK$10,500,000 (equivalent to US$1,500,001 to US$1,575,000)	—	—	—	2	1
HK$19,000,001 to HK$19,500,000 (equivalent to US$2,850,001 to US$2,925,000)	—	—	1	—	—
HK$19,500,001 to HK$20,000,000 (equivalent to US$2,925,001 to US$3,000,000)	—	—	1	—	—
	2	3	5	5	5

10. INCOME TAX

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Current income tax charge/(credit):					
in Mainland China	17,996	19,094	23,177	9,188	4,047
in the United States	—	12,611	6,117	(10,368)	1,975
in the United Kingdom	—	(4)	91	597	(1,268)
Elsewhere	—	335	120	188	67
Deferred income tax (note II 30):					
in Mainland China	1,778	(2,364)	(2,610)	1,879	5,208
in the United States	—	(68,703)	1,375	4,370	(2,988)
Total tax charge/(credit) for the year/period	19,774	(39,031)	28,270	5,854	7,041

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

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 majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

For the year ended December 31, 2016

	Mainland China		Others		Total	
	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	142,361		(177)		142,184	
Tax at the statutory tax rates	35,590	25.0	(29)	16.4	35,561	25.0
Lower tax charges for specific provinces or enacted by local authority	(11,183)	(7.9)	—	—	(11,183)	(7.9)
Adjustment in respect of current tax of prior years	(409)	(0.3)	—	—	(409)	(0.3)
Expenses not deductible for tax	507	0.4	—	—	507	0.4
Profits and losses attributable to associates	620	0.4	—	—	620	0.4
Super deduction on research and development costs	(2,275)	(1.6)	—	—	(2,275)	(1.6)
Tax losses utilized from prior years	(3,126)	(2.2)	—	—	(3,126)	(2.2)
Tax losses not recognized	50	—	29	(16.4)	79	0.1
Tax charge at the Group's effective tax rate	19,774	13.8	—	—	19,774	13.9

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

For the year ended December 31, 2017

	Mainland China		The United States		The United Kingdom		Others		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	124,543		(5,898)		(1,331)		(15,396)		101,918	
Tax at the statutory tax rates	31,135	25.0	(2,064)	35.0	(253)	19.0	(2,540)	16.5	26,278	25.8
(Lower)/higher tax charges for specific provinces or enacted by local authority	(10,738)	(8.6)	148	(2.5)	—	—	—	—	(10,590)	(10.4)
Effect on opening deferred tax due to decrease in tax rates	—	—	(56,041)	950.2	—	—	—	—	(56,041)	(55.0)
Adjustments in respect of current tax of prior years	130	0.1	34	(0.6)	261	(19.6)	—	—	425	0.4
Expenses not deductible for tax	894	0.7	2,206	(37.4)	—	—	337	(2.2)	3,437	3.4
Profits and losses attributable to associates	(810)	(0.7)	—	—	—	—	—	—	(810)	(0.8)
Super deduction on research and development costs	(2,895)	(2.3)	(375)	6.4	(48)	3.6	—	—	(3,318)	(3.3)
Tax losses utilized from prior years	(1,274)	(1.0)	—	—	—	—	—	—	(1,274)	(1.3)
Tax losses not recognized	288	0.2	—	—	36	(2.7)	2,538	(16.5)	2,862	2.8
Tax charge/(credit) at the Group's effective tax rate	16,730	13.4	(56,092)	951.1	(4)	0.3	335	(2.2)	(39,031)	(38.4)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

For the year ended December 31, 2018

	Mainland China		The United States		The United Kingdom		Others		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	132,665		20,571		3,116		(15,959)		140,393	
Tax at the statutory tax rates	33,166	25.0	4,320	21.0	592	19.0	(3,076)	19.3	35,002	24.9
(Lower)/higher tax charges for specific provinces or enacted by local authority	(8,439)	(6.4)	2,331	11.3	—	—	82	(0.5)	(6,026)	(4.3)
Effect on opening deferred tax of decrease in tax rates	—	—	(2,426)	(11.8)	—	—	—	—	(2,426)	(1.7)
Adjustments in respect of current tax of prior years	10	—	(155)	(0.8)	(118)	(3.8)	52	(0.3)	(211)	(0.2)
Expenses not deductible for tax	777	0.6	5,118	24.9	—	—	—	—	5,895	4.2
Profits and losses attributable to associates	(1,452)	(1.1)	—	—	—	—	—	—	(1,452)	(1.0)
Super deduction on research and development costs	(4,967)	(3.7)	(1,696)	(8.2)	(383)	(12.3)	—	—	(7,046)	(5.0)
Tax losses utilized from prior years	(90)	(0.1)	—	—	—	—	—	—	(90)	(0.1)
Tax losses not recognized	1,562	1.2	—	—	—	—	3,062	(19.2)	4,624	3.3
Tax charge at the Group's effective tax rate	20,567	15.5	7,492	36.4	91	2.9	120	(0.7)	28,270	20.1

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

Six months ended June 30, 2018

	Mainland China		The United States		The United Kingdom		Others		Total	
	US$'000 (unaudited)	%	US$'000 (unaudited)	%	US$'000 (unaudited)	%	US$'000 (unaudited)	%	US$'000 (unaudited)	%
Profit/(loss) before tax	66,915		(33,571)		3,341		(10,209)		26,476	
Tax at the statutory tax rates	16,729	25.0	(7,050)	21.0	635	19.0	(1,725)	16.9	8,589	32.4
Lower tax charges for specific provinces or enacted by local authority	(4,405)	(6.6)	(1,061)	3.2	—	—	—	—	(5,466)	(20.6)
Adjustments in respect of current tax of prior years	1	—	—	—	—	—	—	—	1	—
Expenses not deductible for tax	488	0.7	2,961	(8.8)	154	4.6	182	(1.8)	3,785	14.3
Profits and losses attributable to associates	(1,429)	(2.1)	—	—	—	—	—	—	(1,429)	(5.4)
Super deduction on research and development costs	(1,837)	(2.7)	(848)	2.5	(192)	(5.7)	—	—	(2,877)	(10.9)
Tax losses not recognized	1,520	2.3	—	—	—	—	1,731	(17.0)	3,251	12.3
Tax charge/(credit) at the Group's effective tax rate	11,067	16.6	(5,998)	17.9	597	17.9	188	(1.9)	5,854	22.1

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. INCOME TAX—continued

Six months ended June 30, 2019

	Mainland China		The United States		The United Kingdom		Others		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	64,303		(19,689)		(2,468)		(13,196)		28,950	
Tax at the statutory tax rates	16,075	25.0	(4,135)	21.0	(469)	19.0	(1,578)	12.0	9,893	34.2
(Lower)/higher tax charges for specific provinces or enacted by local authority	(5,304)	(8.2)	894	(4.5)	—	—	(127)	1.0	(4,537)	(15.7)
Effect on opening deferred tax of decrease in tax rates	—	—	—	—	(649)	26.3	—	—	(649)	(2.2)
Adjustments in respect of current tax of prior years	34	0.1	—	—	—	—	—	—	34	0.1
Expenses not deductible for tax	224	0.3	3,104	(15.8)	—	—	—	—	3,328	11.5
Income not subject to tax	(88)	(0.1)	—	—	—	—	(645)	4.9	(733)	(2.5)
Profits and losses attributable to a joint venture and associates	(23)	—	—	—	—	—	—	—	(23)	(0.1)
Super deduction on research and development costs	(2,644)	(4.1)	(876)	4.4	(150)	6.1	—	—	(3,670)	(12.7)
Tax losses not recognized	981	1.5	—	—	—	—	2,417	(18.3)	3,398	11.7
Tax charge/(credit) at the Group's effective tax rate	9,255	14.5	(1,013)	5.1	(1,268)	51.4	67	(0.4)	7,041	24.3

The share of tax attributable to a joint venture and associates amounting to US$620,000, (US$810,000), (US$1,452,000), (US$1,598,000) and (US$23,000), respectively, in 2016, 2017, 2018, and the six months ended June 30, 2018 and June 30, 2019 is included in "Share of profits and losses of a joint venture and associates" in the consolidated statements of profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. DIVIDENDS

No dividend was declared by the Company since its incorporation.

12. EARNINGS PER SHARE

No earnings per share information is presented as the information, for the purpose of this Historical Financial Information, is not considered meaningful due to the Reorganization and the presentation of the results for the Relevant Periods on the basis as disclosed in note II 2.1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
December 31, 2016							
At January 1, 2016:							
Cost	111,930	1,630	13,384	6,520	6,288	558	140,310
Accumulated depreciation	(13,906)	(689)	(8,550)	(4,134)	(4,684)	—	(31,963)
Net carrying amount	98,024	941	4,834	2,386	1,604	558	108,347
At January 1, 2016, net of accumulated depreciation	98,024	941	4,834	2,386	1,604	558	108,347
Additions	217	—	258	917	571	1,915	3,878
Depreciation provided during the year	(5,036)	(466)	(1,321)	(744)	(620)	—	(8,187)
Transfer from construction in progress	2,407	—	—	—	—	(2,407)	—
Disposal	(439)	—	(85)	(290)	(62)	—	(876)
Exchange realignment	(5,561)	(35)	(228)	(109)	(70)	(33)	(6,036)
At December 31, 2016, net of accumulated depreciation	89,612	440	3,458	2,160	1,423	33	97,126
At December 31, 2016:							
Cost	107,308	1,534	12,428	6,110	5,501	33	132,914
Accumulated depreciation	(17,696)	(1,094)	(8,970)	(3,950)	(4,078)	—	(35,788)
Net carrying amount	89,612	440	3,458	2,160	1,423	33	97,126

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
December 31, 2017							
At January 1, 2017:							
Cost	107,308	1,534	12,428	6,110	5,501	33	132,914
Accumulated depreciation	(17,696)	(1,094)	(8,970)	(3,950)	(4,078)	—	(35,788)
Net carrying amount	89,612	440	3,458	2,160	1,423	33	97,126
At January 1, 2017, net of accumulated depreciation	89,612	440	3,458	2,160	1,423	33	97,126
Additions	710	—	3,638	1,627	1,115	13,545	20,635
Acquisition of a subsidiary (note II 36)	—	13,684	17,035	41,495	—	4,542	76,756
Depreciation provided during the year	(4,934)	(914)	(4,664)	(6,270)	(631)	—	(17,413)
Transfer from construction in progress	1,630	3,351	1,002	3,388	—	(9,371)	—
Disposal	—	—	(68)	(164)	(57)	—	(289)
Transfer to investment properties (note II 14)	(2,254)	—	—	—	—	—	(2,254)
Disposal of subsidiaries (note II 37)	—	—	(2)	(124)	—	—	(126)
Exchange realignment	5,828	20	185	(71)	72	2	6,036
At December 31, 2017, net of accumulated depreciation	90,592	16,581	20,584	42,041	1,922	8,751	180,471
At December 31, 2017:							
Cost	113,328	25,805	64,049	119,794	5,947	8,751	337,674
Accumulated depreciation	(22,736)	(9,224)	(43,465)	(77,753)	(4,025)	—	(157,203)
Net carrying amount	90,592	16,581	20,584	42,041	1,922	8,751	180,471

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
December 31, 2018							
At January 1, 2018:							
Cost	113,328	25,805	64,049	119,794	5,947	8,751	337,674
Accumulated depreciation	(22,736)	(9,224)	(43,465)	(77,753)	(4,025)	—	(157,203)
Net carrying amount	90,592	16,581	20,584	42,041	1,922	8,751	180,471
At January 1, 2018, net of accumulated depreciation	90,592	16,581	20,584	42,041	1,922	8,751	180,471
Additions	15,615	2,991	15,426	30,363	376	9,673	74,444
Depreciation provided during the year	(5,285)	(3,162)	(9,319)	(31,045)	(740)	—	(49,551)
Transfer from construction in progress	1,793	—	18	116	—	(1,927)	—
Disposal	(1,979)	—	(215)	(81)	(63)	—	(2,338)
Disposal of subsidiaries (note II 37)	(37)	—	(50)	(69)	—	(6,250)	(6,406)
Exchange realignment	(4,668)	(2)	(130)	(71)	(75)	(360)	(5,306)
At December 31, 2018, net of accumulated depreciation	96,031	16,408	26,314	41,254	1,420	9,887	191,314
At December 31, 2018:							
Cost	121,117	28,708	75,018	148,391	4,830	9,887	387,951
Accumulated depreciation	(25,086)	(12,300)	(48,704)	(107,137)	(3,410)	—	(196,637)
Net carrying amount	96,031	16,408	26,314	41,254	1,420	9,887	191,314

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

13. PROPERTY, PLANT AND EQUIPMENT—continued

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
June 30, 2019							
At January 1, 2019:							
Cost	121,117	28,708	75,018	148,391	4,830	9,887	387,951
Accumulated depreciation	(25,086)	(12,300)	(48,704)	(107,137)	(3,410)	—	(196,637)
Net carrying amount	96,031	16,408	26,314	41,254	1,420	9,887	191,314
At January 1, 2019, net of accumulated depreciation	96,031	16,408	26,314	41,254	1,420	9,887	191,314
Additions	611	1,182	8,529	2,401	272	13,760	26,755
Depreciation provided during the period	(2,650)	(1,846)	(7,539)	(12,390)	(343)	—	(24,768)
Transfer from construction in progress	—	1,041	4,712	8,458	—	(14,211)	—
Disposal	—	—	(195)	(71)	(94)	—	(360)
Exchange realignment	185	2	10	11	7	2	217
At June 30, 2019, net of accumulated depreciation	94,177	16,787	31,831	39,663	1,262	9,438	193,158
At June 30, 2019:							
Cost	121,913	26,870	81,111	130,153	4,574	9,438	374,059
Accumulated depreciation	(27,736)	(10,083)	(49,280)	(90,490)	(3,312)	—	(180,901)
Net carrying amount	94,177	16,787	31,831	39,663	1,262	9,438	193,158

14. INVESTMENT PROPERTIES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
At the beginning of the year/period				
Cost	64,222	60,436	61,377	50,668
Accumulated depreciation	(19,326)	(20,634)	(23,904)	(22,418)
Net carrying amount	44,896	39,802	37,473	28,250
Net carrying amount at the beginning of the year/period	44,896	39,802	37,473	28,250
Transfer from property, plant and equipment	—	2,254	—	—
Depreciation provided during the year/period	(2,557)	(2,648)	(2,355)	(1,086)
Disposal of subsidiaries (note II 37)	—	—	(4,944)	—
Transfer to assets held for sale	—	(4,507)	—	—
Exchange realignment	(2,537)	2,572	(1,924)	58
Net carrying amount at the end of the year/period	39,802	37,473	28,250	27,222

The fair values of investment properties were US$78,774,000, US$83,780,000, US$58,298,000 and US$58,387,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PREPAID LAND LEASE PAYMENTS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Carrying amount at the beginning of the year/period	22,156	20,352	22,184	16,581
Additions	—	998	—	—
Recognized during the year/period	(520)	(512)	(468)	(202)
Disposal	—	—	(3,017)	—
Disposal of subsidiaries (note II 37)	—	—	(944)	—
Exchange realignment	(1,284)	1,346	(1,174)	33
Carrying amount at the end of the year/period	20,352	22,184	16,581	16,412
Current portion included in prepayments, other receivables and other assets	(498)	(531)	(451)	(404)
Non-current portion of carrying amount at the end of the year/period	19,854	21,653	16,130	16,008

16. GOODWILL

	US$'000
December 31, 2017	
Cost at January 1, 2017, net of accumulated impairment	—
Acquisition of subsidiaries (note II 36)	839,767
Cost and net carrying amount at December 31, 2017	839,767
At December 31, 2017:	
Cost	839,767
Accumulated impairment	—
Net carrying amount	839,767
December 31, 2018	
Cost at January 1, 2018, net of accumulated impairment	839,767
Cost and net carrying amount at December 31, 2018	839,767
At December 31, 2018:	
Cost	839,767
Accumulated impairment	—
Net carrying amount	839,767
June 30, 2019	
Cost at January 1, 2019, net of accumulated impairment	839,767
Cost and net carrying amount at June 30, 2019	839,767
At June 30, 2019:	
Cost	839,767
Accumulated impairment	—
Net carrying amount	839,767

Impairment testing of goodwill and indefinite life intangible assets

Goodwill and trademarks recorded in other intangible assets with indefinite lives acquired through business combinations are allocated to the cash-generating unit ("CGU") of Compass and its subsidiaries (collectively referred to as the "Compass") for impairment testing.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill and indefinite life intangible assets—continued

The Group performed its annual impairment test as at December 31, 2018 and no impairment test was performed as at June 30, 2019 as no circumstance indicated that the carrying value may be impaired.

The recoverable amount of the Compass CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management at December 31, 2018. The discount rate applied to the cash flow projections is 16%. The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3%.

Assumptions were used in the value in use calculation of the Compass at December 31, 2018. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth—The bases used to determine the future earnings potential are historical sales and average expected growth rates of the markets in North America, Europe, Asia and other markets.

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate—The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Expenses—The value assigned to the key assumptions reflects past experience and management's commitment to maintain the Compass CGU's operating expenses to an acceptable level.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment test on the Compass CGU, the estimated recoverable amount of Compass CGU exceeded the carrying amount of the CGU by US$179,466,000 as at December 31, 2018.

Sensitivity to changes in assumptions

The Company has performed the sensitivity analysis on key assumptions used in the impairment test. Had the estimated key assumptions been changed as follows, the headroom would be increased/(decreased) by:

	As at December 31, 2018
	US$'000
Five-year period growth rate increased by 5%	50,800
Five-year period growth rate decreased by 5%	(53,732)
Discount rate decreased by 5%	136,309
Discount rate increased by 5%	(123,994)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. GOODWILL—continued

Impairment testing of goodwill and indefinite life intangible assets—continued

Sensitivity to changes in assumptions—continued

With regard to the assessment of the value in use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the CGU to exceed its recoverable amount.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's right-of-use assets are recognized for lease contracts of buildings. The movements of right-of-use assets during the Relevant Periods are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Cost of right-of-use assets:				
At the beginning of the year/period	1,324	8,136	71,405	78,357
Additions	6,890	—	7,418	12,914
Acquisition of a subsidiary (note II 36)	—	62,723	—	—
Exchange realignment	(78)	546	(466)	13
At the end of the year/period	8,136	71,405	78,357	91,284
Accumulated amortization:				
At the beginning of the year/period	—	(1,791)	(6,906)	(19,517)
Amortization provided during the year/period	(1,871)	(4,900)	(12,946)	(7,689)
Exchange realignment	80	(215)	335	20
At the end of the year/period	(1,791)	(6,906)	(19,517)	(27,186)
Net carrying amount:				
At the end of the year/period	6,345	64,499	58,840	64,098

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES—continued

The movements of lease liabilities during the Relevant Periods are as follows:

	As of December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Lease liabilities:				
At the beginning of the year/period	1,324	8,136	72,840	79,792
Additions	6,890	—	7,418	12,914
Acquisition of a subsidiary (note II 36)	—	64,158	—	—
Exchange realignment	(78)	546	(466)	13
At the end of the year/period	8,136	72,840	79,792	92,719
Accumulated payment:				
At the beginning of the year/period	—	(1,692)	(5,149)	(16,200)
Interest expense during the year/period	238	920	2,964	1,534
Payment during the year/period	(2,008)	(4,294)	(13,868)	(8,485)
Exchange realignment	78	(83)	(147)	27
At the end of the year/period	(1,692)	(5,149)	(16,200)	(23,124)
Net carrying amount:				
At the end of the year/period	6,444	67,691	63,592	69,595
Analyzed into:				
Within one year	2,411	10,361	10,980	12,472
In the second year	2,517	9,390	5,578	12,825
In the third to fifth years, inclusive	972	7,741	10,360	5,398
Beyond five years	544	40,199	36,674	38,900
At the end of the year/period	6,444	67,691	63,592	69,595

18. OTHER INTANGIBLE ASSETS

	Patents	Software	Total
	US$'000	US$'000	US$'000
January 1, 2016:			
Cost	7,100	3,749	10,849
Accumulated amortization and impairment	(6,241)	(2,228)	(8,469)
Net carrying amount	859	1,521	2,380
Cost at January 1, 2016, net of accumulated amortization and impairment	859	1,521	2,380
Additions	—	850	850
Amortization provided during the year	(241)	(350)	(591)
Exchange realignment	(38)	(76)	(114)
At December 31, 2016	580	1,945	2,525
At December 31, 2016:			
Cost	6,682	4,197	10,879
Accumulated amortization and impairment	(6,102)	(2,252)	(8,354)
Net carrying amount	580	1,945	2,525

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. OTHER INTANGIBLE ASSETS—continued

	Trademarks*	Patents	Retailer relationship	Capitalized development costs	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
January 1, 2017:						
Cost	—	6,682	—	—	4,197	10,879
Accumulated amortization and impairment	—	(6,102)	—	—	(2,252)	(8,354)
Net carrying amount	—	580	—	—	1,945	2,525
Cost at January 1, 2017, net of accumulated amortization and impairment	—	580	—	—	1,945	2,525
Acquisition of subsidiaries (note II 36)	384,044	36,889	143,083	—	—	564,016
Additions	—	—	—	2,358	277	2,635
Amortization provided during the year	—	(427)	(3,375)	—	(396)	(4,198)
Disposal	—	—	—	—	(64)	(64)
Exchange realignment	—	28	—	—	119	147
At December 31, 2017	384,044	37,070	139,708	2,358	1,881	565,061
At December 31, 2017:						
Cost	384,044	44,019	143,083	2,358	4,694	578,198
Accumulated amortization and impairment	—	(6,949)	(3,375)	—	(2,813)	(13,137)
Net carrying amount	384,044	37,070	139,708	2,358	1,881	565,061

	Trademarks*	Patents	Retailer relationship	Capitalized development costs	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
January 1, 2018:						
Cost	384,044	44,019	143,083	2,358	4,694	578,198
Accumulated amortization and impairment	—	(6,949)	(3,375)	—	(2,813)	(13,137)
Net carrying amount	384,044	37,070	139,708	2,358	1,881	565,061
Cost at January 1, 2018, net of accumulated amortization and impairment	384,044	37,070	139,708	2,358	1,881	565,061
Additions	—	—	—	15,658	214	15,872
Amortization provided during the year	—	(5,729)	(15,898)	(138)	(413)	(22,178)
Disposal	—	—	—	—	(7)	(7)
Exchange realignment	—	(11)	—	—	(86)	(97)
At December 31, 2018	384,044	31,330	123,810	17,878	1,589	558,651
At December 31, 2018:						
Cost	384,044	43,636	143,083	18,016	4,088	592,867
Accumulated amortization and impairment	—	(12,306)	(19,273)	(138)	(2,499)	(34,216)
Net carrying amount	384,044	31,330	123,810	17,878	1,589	558,651

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. OTHER INTANGIBLE ASSETS—continued

	Trademarks*	Patents	Retailer relationship	Capitalized development costs	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
January 1, 2019:						
Cost	384,044	43,636	143,083	18,016	4,088	592,867
Accumulated amortization and impairment	—	(12,306)	(19,273)	(138)	(2,499)	(34,216)
Net carrying amount	384,044	31,330	123,810	17,878	1,589	558,651
Cost at January 1, 2019, net of accumulated amortization and impairment	384,044	31,330	123,810	17,878	1,589	558,651
Additions	—	—	—	6,145	149	6,294
Amortization provided during the period	—	(1,941)	(7,949)	(281)	(197)	(10,368)
Exchange realignment	—	1	—	5	6	12
At June 30, 2019	384,044	29,390	115,861	23,747	1,547	554,589
At June 30, 2019:						
Cost	384,044	43,647	143,083	24,162	3,127	598,063
Accumulated amortization and impairment	—	(14,257)	(27,222)	(415)	(1,580)	(43,474)
Net carrying amount	384,044	29,390	115,861	23,747	1,547	554,589

Note:

* Trademarks are not amortized due to indefinite useful lives, and are allocated to the Group's Compass CGU. Refer to note II 16 for the impairment testing and sensitivity analysis of the trademarks with indefinite useful lives. No provision is made for impairment of trademarks after being tested for impairment of the Compass CGU as at the end of 2018, and no impairment indicator was noted as at June 30, 2019.

Impairment testing of capitalized development costs not yet available for use

The Group performed impairment testing of capitalized development costs not yet available for use annually and whenever there is an impairment indicator.

The recoverable amount of the capitalized development costs not yet available for use has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management as at December 31, 2018. The discount rate applied to the cash flow projections is 17.5%-20.5%.

Assumptions were used in the value in use calculation of the capitalized development costs not yet available for use. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of the capitalized development costs not yet available for use:

Revenue growth—The bases used to determine the future earnings potential are historical sales and average expected growth rates of products with similar features and life cycles in the markets.

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved by products with similar features and life cycles in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. OTHER INTANGIBLE ASSETS—continued

Impairment testing of capitalized development costs not yet available for use—continued

Discount rate—The discount rate used is before tax and reflects specific risks relating to assets.

Expenses—The expenses reflect past experience and management's commitment to maintain the operating expenses to an acceptable level.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment testing, the estimated recoverable amount of the capitalized development costs not yet available for use exceeded the carrying amount by US$15,953,000 as at December 31, 2018.

Sensitivity to changes in assumptions

The Company has performed the sensitivity analysis on key assumptions used in the impairment testing. Had the estimated key assumption, discount rate been increased by 0.5%, from 17.5%-20.5% to 18.0%-21.0%, the headroom would be decreased by US$368,000.

With regards to the assessment of the value in use of the capitalized development costs not yet available for use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the capitalized development costs not yet available for use to exceed the recoverable amount.

19. INVESTMENTS IN A JOINT VENTURE/ASSOCIATES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Joint venture:				
Share of net assets	—	—	—	2,883
	—	—	—	2,883
Associates:				
Share of net assets	20,159	30,007	29,177	29,540
Goodwill on acquisition	5,000	7,213	6,826	6,836
	25,159	37,220	36,003	36,376

The Group's trade receivable and payable balances with the joint venture and associates are disclosed in notes II 23 and II 27, respectively.

The Group's shareholdings in the associates comprise equity shares held by wholly-owned subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of an associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognized share of losses of the

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN A JOINT VENTURE/ASSOCIATES—continued

associate for the years of 2016, 2017 and 2018 were US$5,000, nil and US$57,000, respectively, and cumulatively were US$5,000, US$5,000 and US$62,000, respectively. There was no unrecognized share of losses of the associate for the six months ended June 30, 2019.

The following table illustrates the aggregate financial information of the Group's joint venture:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Share of the joint venture's losses for the year/period	—	—	—	(2)
Share of the joint venture's total comprehensive income	—	—	—	(2)
Aggregate carrying amount of the Group's investment in a joint venture	—	—	—	2,883

The following table illustrates the aggregate financial information of the Group's associates:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Share of the associates' (losses)/profits for the year/period	(2,480)	3,245	5,809	94
Share of the associates' total comprehensive income	(2,480)	3,245	5,809	94
Aggregate carrying amount of the Group's investments in associates	25,159	37,220	36,003	36,376

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The investments below were classified as financial assets at fair value:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Unlisted financial assets, at fair value through profit or loss:				
Non-current—equity investments (a)	53,431	67,714	60,794	59,059
Current—financial products (b)	155,996	46,564	15,853	50,369
	209,427	114,278	76,647	109,428
Unlisted financial assets, at fair value through other comprehensive income:				
Non-current—equity investments (c)	24,164	31,921	35,643	35,651
	233,591	146,199	112,290	145,079

Notes:

(a) The equity investments were classified as financial assets at fair value through profit or loss as they were held for trading, which are managed by licensed financial institutions in Mainland China to invest principally in certain financial assets including investment funds and unlisted equity investments issued in Mainland China in accordance with the entrusted agreements entered into between the parties involved.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME—continued

(b) The current investments in financial products at December 31, 2016, 2017, 2018 and June 30, 2019 were products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The investments were measured at fair value through profit or loss at the end of each reporting period, with a corresponding gain on change in fair value of US$17,948,000, US$5,675,000, US$742,000 and US$5,988,000, respectively, credited to other income and gains in the years of 2016, 2017, 2018 and the six months ended June 30, 2019, respectively.

(c) The equity investments were irrevocably designated at fair value through other comprehensive income at the end of each reporting period as the Group considers these investments to be strategic in nature. The fair value changes in these investments resulted in a loss (net of tax) amounting to US$6,446,000 in the year of 2016, a gain (net of tax) amounting to US$4,759,000 and US$4,287,000 in the years of 2017 and 2018, respectively, and nil in the six months ended June 30, 2019, recorded in other comprehensive income.

21. OTHER NON-CURRENT ASSETS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Long-term portion of insurance receivable	—	4,381	3,961	4,428
Rental deposits	—	912	1,145	779
Tax refunds	—	—	6,731	—
VAT recoverable	—	—	2,847	—
Others	—	—	2,746	3,879
	—	5,293	17,430	9,086

22. INVENTORIES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Raw materials	13,094	22,875	28,318	33,654
Finished goods	48,304	252,009	324,236	299,087
Less: Impairment	(1,928)	(2,655)	(2,692)	(2,756)
	59,470	272,229	349,862	329,985

The movements in provision for impairment of inventories are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
At the beginning of the year/period	(1,031)	(1,928)	(2,655)	(2,692)
Acquisition of subsidiaries	—	(2,264)	—	—
Provision for/reversal of impairment losses	(1,001)	1,621	(69)	(61)
Exchange realignment	104	(84)	32	(3)
At the end of the year/period	(1,928)	(2,655)	(2,692)	(2,756)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. TRADE AND BILLS RECEIVABLES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Bills receivable	208,664	264,139	349,342	177,165
Trade receivables	17,596	366,276	426,814	372,867
Less: Impairment	(1,719)	(2,892)	(3,496)	(4,348)
	224,541	627,523	772,660	545,684

Certain of the Group's trading terms with its customers are payment in advance, while for other customers, credit is granted. The credit period is generally 30 days to 60 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Each customer has a maximum credit limit. Trade receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's associates of US$10,720,000, US$14,157,000, US$21,509,000 and US$12,648,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, which are repayable on credit terms similar to those offered to the major customers of the Group.

An aging analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of impairment, is as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Within 6 months	219,064	622,664	768,349	543,165
6 months to 1 year	5,193	4,279	3,420	2,095
1 to 2 years	192	466	723	424
Over 2 years	92	114	168	—
	224,541	627,523	772,660	545,684

The movements in provision for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
As at the beginning of the year/period	1,269	1,719	2,892	3,496
Acquisition of subsidiaries	—	410	—	—
Impairment loss, net	1,311	2,252	3,759	1,276
Disposal of subsidiaries	—	—	(14)	—
Amount written off as uncollectible	(861)	(1,489)	(3,141)	(424)
As at the end of the year/period	1,719	2,892	3,496	4,348

As at December 31, 2016, 2017, 2018 and as at June 30, 2019, the trade receivables were denominated in US$ and RMB, and the fair values of trade receivables approximated to their carrying amounts.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. TRADE AND BILLS RECEIVABLES—continued

An impairment analysis is performed at each reporting date using a provision matrix or assessed individually to measure expected credit losses. As at December 31, 2016, 2017, 2018 and June 30, 2019, the amounts of individually assessed provision were US$1,041,000, US$1,817,000, US$1,460,000 and US$1,671,000, respectively. The provision rates used in the provision matrix are based on days from the billing date for customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Past due				
	1 to 6 months	7 to 12 months	1 to 2 years	Over 2 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At December 31, 2016					
Expected credit loss rate	1.23%	11.35%	32.43%	100.00%	
Gross carrying amount	12,813	379	222	405	13,819
Expected credit losses	158	43	72	405	678
At December 31, 2017					
Expected credit loss rate	0.11%	20.57%	42.75%	100.00%	
Gross carrying amount	350,217	1,060	276	356	351,909
Expected credit losses	383	218	118	356	1,075
At December 31, 2018					
Expected credit loss rate	0.10%	27.30%	49.28%	100.00%	
Gross carrying amount	415,836	2,843	834	451	419,964
Expected credit losses	398	776	411	451	2,036
At June 30, 2019					
Expected credit loss rate	0.37%	24.51%	50.35%	100.00%	
Gross carrying amount	368,113	1,771	853	459	371,196
Expected credit losses	1,355	434	429	459	2,677

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Prepayments	1,144	8,369	12,391	13,113
Deposits and other receivables	4,728	13,619	13,151	33,004
Due from related parties (a)	103,447	130,154	13,725	21,755
Right-of-return assets	—	1,979	2,660	2,430
Indemnification assets (b)	—	50,931	24,338	23,919
Income tax recoverable	—	15,450	420	8,226
	109,319	220,502	66,685	102,447
Less: Impairment	(546)	(872)	(1,175)	(1,210)
	108,773	219,630	65,510	101,237

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS—continued

Notes:

(a) Included in the amounts due from related parties were trade amounts due from associates of US$655,000, US$616,000, US$1,682,000 and US$5,259,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, non-trade amounts due from shareholders of US$102,792,000, US$128,232,000, US$6,383,000 and US$10,617,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, non-trade amounts due from other related parties of nil, US$1,306,000, US$5,660,000 and US$5,879,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019.

(b) Pursuant to the agreement of acquisition of the Euro-Pro Group, the Group is entitled to be indemnified from seller for certain tax provision and ongoing litigation provision.

25. CASH AND CASH EQUIVALENTS/PLEDGED DEPOSITS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	127,220	211,003	180,872	152,475
Pledged deposits				
—current	4,974	7,080	26,588	100,396
—non-current	—	—	—	116,533
Less: Pledged deposits for bills payable and bank borrowings				
—bills payable (note 27)	(4,974)	(7,080)	(26,588)	(100,396)
—interest-bearing bank borrowings (note 29)	—	—	—	(116,533)
Cash and cash equivalents	127,220	211,003	180,872	152,475

At the end of each reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB701,484,000, RMB891,793,000, RMB860,197,000 and RMB730,221,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. ASSETS HELD FOR SALE

In November 2017, Shandong Government signed an agreement with Joyoung Co., Ltd. to legally retrieve the land use right of a stretch of land located in Shandong, China. The Group reclassified the net book value of the land as assets held for sale, which was previously classified as an investment property. This transaction was completed in 2018, and resulted in a gain of US$1,863,000 to the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

27. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date was as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Within 1 year	178,986	260,692	408,326	335,441
1 to 2 years	939	598	306	1,239
2 to 3 years	374	205	—	—
Over 3 years	348	581	—	—
	180,647	262,076	408,632	336,680

The Group's bills payable were secured by pledged deposits of the Group of US$4,974,000, US$7,080,000, US$26,588,000 and US$100,396,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, and secured by bills receivable of the Group of US$19,546,000, US$1,082,000, US$48,755,000 and US$16,030,000 as at December 31, 2016, 2017, 2018 and June 30, 2019.

Included in the trade and bills payables are trade payables due to associates of US$50,841,000, US$46,479,000, US$31,773,000 and US$17,765,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, which are repayable within 90 days.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

28. OTHER PAYABLES AND ACCRUALS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Accruals	36,102	209,727	122,409	72,005
Contract liabilities (a)	33,822	19,185	60,668	22,676
Refund liabilities	20,478	107,274	134,411	123,649
Other payables (b)	17,865	17,172	16,394	32,516
Dividends payable	—	—	3,200	3,771
Provisions (c)	10,588	16,335	19,906	18,593
Due to related parties (d)	278	328	7,110	484,242
Deferred revenue	—	1,291	—	—
	119,133	371,312	364,098	757,452

Notes:

(a) Contract liabilities include short-term advances received from delivering home appliance products and rendering extended warranty services. Included in the contract liabilities were short-term advances of US$2,766,000, US$973,000, US$1,015,000 and US$789,000 advance received from related parties as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively.

(b) Other payables are non-interest-bearing and have an average payment term of three months.

(c) The Group provides standard warranties of one to seven years to its customers. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

(d) Included in the amounts due to related parties were trade amounts due to associates of US$278,000, US$328,000, US$7,110,000 and US$7,128,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019, non-trade amounts due to shareholders of nil, nil, nil and US$477,114,000, respectively, as at December 31, 2016, 2017, 2018 and June 30, 2019. For details, refer to note II 42.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. INTEREST-BEARING BANK BORROWINGS

		December 31, 2017			December 31, 2018			June 30, 2019		
		Interest rate (%)	Maturity	US$'000	Interest rate (%)	Maturity	US$'000	Interest rate (%)	Maturity	US$'000
Current										
Bank loans—secured	(b)	3.25+LIBOR	2018	6,797	3.25+LIBOR	2019	16,379	3.25+LIBOR	2019-2020	21,857
Bank loans—secured	(b)	4.00+LIBOR	2018	3,242	4.00+LIBOR	2019	1,989			—
Bank loans—secured	(a)			—	1.55+LIBOR	2019	467,176			—
				10,039			485,544			21,857
Non-current										
Bank loans—secured	(b)	3.25+LIBOR	2020-2022	211,983	3.25+LIBOR	2020-2022	193,864	3.25+LIBOR	2022	181,360
Bank loans—secured	(b)	4.00+LIBOR	2020-2024	435,528	4.00+LIBOR	2020-2024	433,376	4.00+LIBOR	2024	419,736
Bank loans—secured	(a)/(b)	2.75+LIBOR	2022	79,278	2.75+LIBOR	2022	72,481	2.75+LIBOR	2022	112,914
Bank loans—secured	(a)	1.55+LIBOR	2019	466,893			—			—
Bank loans—secured	(c)			—			—	1.20+HIBOR	2022	114,474
				1,193,682			699,721			828,484
				1,203,721			1,185,265			850,341
Analyzed into:										
Bank loans repayable:										
Within one year or on demand				10,039			485,544			21,857
In the second year				484,915			28,345			28,579
In the third to fifth years, inclusive				281,819			246,589			376,213
Beyond five years				426,948			424,787			423,692
				1,203,721			1,185,265			850,341

Notes:

(a) The bank loans are secured by the pledge of 257,430,810, 320,403,436 and 62,973,000 shares of Joyoung Co., Ltd. as at December 31, 2017, December 31, 2018 and June 30, 2019, respectively.

(b) Certain of the bank loans are secured by:

(i) The pledge of equity interests in certain subsidiaries of Compass Cayman SPV Limited:

Issuer	Percentage of equity interests
Global Appliance UK HoldCo Limited	100%
Compass Cayman SPV2 Limited	100%
Global Appliance LLC	100%
Euro-Pro HoldCo, LLC	100%
EP Midco LLC	100%
SharkNinja Operating LLC	100%
Euro-Pro International Holding Company	65%
SharkNinja Sales Company	100%
SharkNinja Management LLC	100%

(ii) The security interest of certain subsidiaries, including all accounts that certain subsidiaries organized in a U.S. jurisdiction at any time opens or maintains; all chattel paper; all cash and cash equivalents; all documents; all equipment; all general intangibles, including all intellectual property; all instruments; all inventories; all other goods; all investment properties; all letter-of-credit rights; all fixtures; all books and records pertaining to the security interest; and to the extent not otherwise included, all proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any person with respect to any of the foregoing of the subsidiaries in (i);

(iii) A subordinated promissory note, made by certain subsidiaries of Compass, in the original principal amount of US$50,000,000;

(iv) A global intercompany note, made by Compass and certain subsidiaries of Compass; and

(v) A corporate guarantee provided by Compass and certain subsidiaries of Compass.

(c) The bank loans are secured by a pledged deposit of US$116,533,000 as at June 30, 2019.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

29. INTEREST-BEARING BANK BORROWINGS—continued

The Group's unutilised available bank borrowing facilities were nil, US$140,000,000, US$120,000,000 and US$77,917,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively.

30. DEFERRED TAX ASSETS/LIABILITIES

The analysis of deferred tax assets and liabilities in the consolidated statements of financial position is as follows:

The movements in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. DEFERRED TAX ASSETS/LIABILITIES—continued

Deferred tax assets:

	Tax losses	Impairment allowance	Accrued expenses and reserves	Depreciation allowance in excess of related depreciation	Unrealized profit arising in intra-group transactions	Fair value adjustments arising from financial assets	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2016	—	659	6,749	102	2,956	—	—	10,466
Recognized in other comprehensive income	—	—	—	—	—	1,289	—	1,289
Deferred tax (charged)/credited to profit or loss	201	544	(906)	(16)	(363)	—	—	(540)
At December 31, 2016	201	1,203	5,843	86	2,593	1,289	—	11,215
At January 1, 2017	201	1,203	5,843	86	2,593	1,289	—	11,215
Exchange realignment	13	81	392	6	175	—	—	667
Acquisition of subsidiaries (note II 36)	5,061	—	13,808	11,736	—	—	823	31,428
Recognized in other comprehensive income	—	—	—	—	—	(831)	—	(831)
Deferred tax (charged)/credited to profit or loss	(1,226)	(388)	8,597	(5,922)	831	—	1,006	2,898
At December 31, 2017	4,049	896	28,640	5,906	3,599	458	1,829	45,377
At January 1, 2018	4,049	896	28,640	5,906	3,599	458	1,829	45,377
Exchange realignment	—	(48)	(906)	(15)	(195)	—	—	(1,164)
Disposal of subsidiaries (note II 37)	—	(12)	(184)	—	—	—	353	157
Recognized in other comprehensive income	—	—	—	—	—	(458)	—	(458)
Deferred tax (charged)/credited to profit or loss	(649)	1,819	709	(1,009)	(1,272)	—	3,022	2,620
At December 31, 2018	3,400	2,655	28,259	4,882	2,132	—	5,204	46,532
At January 1, 2019	3,400	2,655	28,259	4,882	2,132	—	5,204	46,532
Exchange realignment	2	24	78	1	(6)	—	—	99
Deferred tax (charged)/credited to profit or loss	238	(1,384)	(5,665)	(479)	681	—	3,879	(2,730)
At June 30, 2019	3,640	1,295	22,672	4,404	2,807	—	9,083	43,901

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. DEFERRED TAX ASSETS/LIABILITIES—continued

Deferred tax liabilities:

	Interest receivable	Accelerated depreciation	Fair value adjustments arising from financial assets	Fair value adjustments arising from acquisition of subsidiaries	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2016	289	51	191	—	531
Recognized in other comprehensive income	—	—	14	—	14
Deferred tax charged/(credited) to profit or loss	(18)	(2)	1,258	—	1,238
At December 31, 2016	271	49	1,463	—	1,783
At January 1, 2017	271	49	1,463	—	1,783
Exchange realignment	18	4	97	—	119
Acquisition of subsidiaries (note II 36)	—	—	—	198,061	198,061
Recognized in other comprehensive income	—	—	158	—	158
Deferred tax charged/(credited) to profit or loss	(186)	(20)	(571)	(67,392)	(68,169)
At December 31, 2017	103	33	1,147	130,669	131,952
At January 1, 2018	103	33	1,147	130,669	131,952
Exchange realignment	(5)	(2)	(53)	—	(60)
Disposal of subsidiaries (note II 37)	(9)	—	—	—	(9)
Recognized in other comprehensive income	—	—	310	—	310
Deferred tax charged/(credited) to profit or loss	(52)	(17)	693	761	1,385
At December 31, 2018	37	14	2,097	131,430	133,578
At January 1, 2019	37	14	2,097	131,430	133,578
Exchange realignment	(1)	—	3	—	2
Deferred tax charged/(credited) to profit or loss	161	(8)	(192)	(471)	(510)
At June 30, 2019	197	6	1,908	130,959	133,070

At the end of each reporting period, the Group has tax losses arising in Hong Kong of US$176,000, US$15,382,000, US$18,558,000 and US$14,648,000, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

At the end of each reporting period, the Group also has tax losses arising in Mainland China of US$200,000, US$1,152,000, US$6,248,000 and US$3,924,000, respectively, that will expire in one to five years for offsetting against future taxable profits.

At the end of each reporting period, the Group has tax losses arising in the United Kingdom of nil, US$189,000, nil and nil, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. DEFERRED TAX ASSETS/LIABILITIES—continued

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

At the end of each reporting period, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately US$12,775,000, US$13,545,000, US$4,449,000 and US$17,929,000 at December 31, 2016, 2017, 2018 and June 30, 2019 respectively.

31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTION

Original put option (the "Put Option")

On September 29, 2017 (the "Grant Date"), a subsidiary of the Group, Compass Cayman SPV Limited ("Compass") entered into a shareholders agreement ("the Agreement") with its non-controlling shareholder, Compass Aggregator, Ltd. ("Aggregator"), simultaneously with the entry into the Membership Interest Purchase Agreement in relation to the acquisition of Euro-Pro HoldCo, LLC and its subsidiaries (the "Acquisition"). Aggregator is controlled by the previous ultimate controller of the Euro-Pro Group. Under the Agreement, Aggregator is entitled to a right (the "Put Option") to require Compass to repurchase all or a portion of Compass' own shares beneficially owned by Aggregator at an agreed price (the "Repurchase Price") within an agreed period.

Pursuant to the Agreement, from and after the earlier of (i) the third anniversary of the closing date of the Acquisition (ii) any time after the board of directors resolves to engage a specific sponsor or underwriter in connection with a proposed initial public offering of the Company (the "IPO") of the shares of Compass (the "Board IPO Determination Date"), Aggregator could exercise the Put Option by providing a written notice to Compass ("exercisable period"). As at the date on which an IPO is consummated, Aggregator's right to exercise the Put Option shall automatically expire for all purposes.

If (i) Aggregator has not exercised the Put Option prior to the sixth anniversary of the closing date of the Acquisition and (ii) no IPO has occurred prior to such date, Compass shall have the option, exercisable upon the provision of a written notice to Aggregator, to require it to sell to Compass all of the shares beneficially owned by Aggregator. As at the date on which an IPO is consummated, Compass' right to exercise the Call Option shall automatically expire for all purposes.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTION—continued

Original put option (the "Put Option")—continued

The Repurchase Price means, percentage interest of the Aggregator as at the exercise date, multiplied by an amount equal to (x) on the product of 10 times Compass' forecasted earnings before interest, taxes, depreciation and amortization (the "EBITDA") during a 12-month period prior to the exercise date, less (y) Compass' net indebtedness as at the exercise date. As at December 31, 2017 and 2018, management did not have an estimate of the Board IPO determination date, the starting day of the exercisable period is assumed to be the third anniversary of the closing date of the acquisition, which is September 30, 2020.

If (x) payment of the Repurchase Price on or prior to the four weeks after the date on which the repurchase price is determined in the case of the put or call option (the "Last Date") would cause Compass or any of its subsidiaries to be in breach or default under any indebtedness or other financing arrangement (and such indebtedness or other arrangement could not be refinanced by the Last Date on commercially reasonably terms which would not materially adversely affect Compass) or (y) Compass and its subsidiaries are unable to obtain the cash funds required to pay in full the Repurchase Price by the Last Date, on the Last Date Compass shall deliver to the Aggregator a written notice irrevocably offering to both (x) pay a portion of the Repurchase Price, as set forth in such notice, with all the cash funds that Compass and its subsidiaries have at such time that are permitted to be used for such purpose under any indebtedness or other financing arrangements and after taking into account the reasonable anticipated cash needs of Compass as set forth in the budget approved by the board and (y) issue to the Aggregator a promissory note of Compass (bearing interest at 3% plus the greater of (x) 3 month LIBOR and (y) 1% with a face value equal to the remainder of the Repurchase Price not payable in cash pursuant to clause (x) above).

The fair value of the Put Option as at September 29, 2017 was US$32,994,000, which constituted a part of purchase consideration of the Acquisition. The Group recorded goodwill in respect of the Put Option of US$32,994,000 with a corresponding credit to the put option reserve and non-controlling interests.

Under current IFRSs, when the Put Option is granted, the Group is required to record a financial liability which is to be measured at the present value of the redemption amount. On initial recognition, the corresponding debit is made to the put option reserve which is a component of equity. The financial liability is subsequently measured in accordance with IFRS 9.

The directors have estimated that at the Grant Date, the potential redemption amount would be approximately US$620,709,000, based on the present value of the Repurchase Price as at September 30, 2020. Accordingly, the Group recorded financial liabilities in respect of the Put Option of US$620,709,000 as at September 29, 2017 with a corresponding debit to the put option reserve and non-controlling interests.

Accordingly, the Group has recorded expenses of US$7,123,000 and US$28,817,000 associated with the Put Option according to the present value of the redemption liability, which are included in other expenses in profit or loss for the years 2017 and 2018, respectively. The balance of financial liabilities associated with the Put Option was US$627,833,000 and US$656,650,000 as at December 31, 2017 and 2018, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTION—continued

Replacement of the Put Option (the "Put Right")

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, shareholders of Aggregator ("SN Investor") acquired shares in Compass from Aggregator and exchanged their respective shares in Compass with the Company in consideration for the shares issued by the Company.

The put Option was terminated upon the completion of the restructuring and replaced by the put right. Pursuant to the shareholders' agreement, if no IPO of the Company has been consummated before or on September 30, 2020 (the "End Date"), from and after the End Date, each SN Investor shall have the option to require Compass to purchase all or a portion of the shares beneficially owned by such SN Investor (the "Put Right") at the applicable put/call price which is substantially the same with the Repurchase Price of the Put Option. If, on or after December 31, 2020, the board of directors has resolved to engage a specific sponsor or underwriter in connection with a proposed IPO after the End Date (the "Board IPO Determination Date"), and any SN Investor has not delivered a written notice within 30 days after the Board IPO Determination Date, such SN Investor's right to exercise the Put Right shall be suspended for all purposes while the Company pursues the proposed IPO; provided that such suspension shall terminate on the earlier of (x) the date on which the Company is no longer pursuing the proposed IPO, including if the Company provides the SN Investors with a written notice that it is no longer pursuing such IPO, (y) the date on which the Company withdraws any documents that were filed in connection with such IPO without promptly filing replacements thereof, and (z) six (6) months following the Board IPO Determination Date. The board of directors shall immediately provide written notice to the SN Investors of the Board IPO Determination Date upon such determination. As of the date on which an IPO is consummated, each SN Investor's right to exercise the Put Right shall automatically expire for all purposes.

If (i) any SN Investor has not exercised the Put Right prior to September 28, 2023 and (ii) no IPO has occurred prior to such date, the Company shall have the option, exercisable upon the provision of a written notice to such SN Investor to require such SN Investor to sell to Compass Cayman all of the Shares beneficially owned by such SN Investor (the "Call Right") at the applicable put/call price. Notwithstanding the foregoing, if (i) the Call Right is consummated by the Company, (ii) the primary documents that must be filed by the Listing Vehicle to effect an IPO with the applicable regulatory body are filed within six months of the date on which the Call Right was consummated and (iii) such IPO is ultimately consummated, in addition to the put/call price that has been, or otherwise will be, paid, the Company shall also pay the SN Investor an amount equal to the difference between (if positive) (1) the product of (x) the price per share for the shares sold in the IPO multiplied by (y) 20% of the total number of Shares held by the SN Investor immediately prior to the consummation of the Call Right (the "20% Amount") and (2) the portion of the put/call price paid in satisfaction of the Call Right with respect to the 20% Amount (such amount, the "Additional Call Right Payment"). As of the date on which an IPO is consummated, the Company's right to exercise the Call Right shall automatically expire for all purposes.

As at June 30, 2019, the Company was in the process of pursuing an IPO, and therefore the starting day of the exercisable period is assumed to be September 30, 2020. Accordingly, the Group has recorded expenses of US$15,069,000 associated with the Put Option and Put Right according to

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTION—continued

Replacement of the Put Option (the "Put Right")—continued

the present value of the redemption liability, which is included in other expenses in profit or loss for the six months ended June 30, 2019. The balance of financial liabilities associated with the put right was US$671,719,000 as at June 30, 2019.

32. OTHER NON-CURRENT LIABILITIES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Contract liabilities	—	1,413	1,224	1,122
Incurred but not reported general product liability	—	6,207	5,944	6,455
Uncertain tax positions	—	6,834	6,967	6,967
Other non-current payables	1,190	808	324	—
	1,190	15,262	14,459	14,544

33. SHARE-BASED PAYMENTS

Share Award Scheme of Joyoung Co., Ltd.

On August 14, 2014 and November 24, 2017, Joyoung Co., Ltd. announced two Share Award Schemes respectively (the "Scheme 2014" and "Scheme 2017", collectively as the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include directors and employees of Joyoung Co., Ltd..

The maximum number of restricted stock shares ("RSS") currently permitted to be awarded under the Schemes is an amount equivalent to 10% of the shares of Joyoung Co., Ltd. in issue at any time. The maximum number of RSS issuable to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of Joyoung Co., Ltd. in issue at any time. Any further award of RSS in excess of this limit is subject to shareholders' approval in a general meeting.

The Scheme 2014

Joyoung Co., Ltd. issued a total of 6,935,000 ordinary shares to award certain eligible participants. The shares were granted on September 1, 2014 upon payment of a grant price at RMB4.42 per share by the grantees. Eligible participants of the Schemes include 111 directors and employees of Joyoung Co., Ltd..

40% of the RSS shall vest after the 12-month locked-in period, on the condition that Joyoung Co., Ltd. achieving a 10% growth of revenue and a 6% growth of profit in 2014 compared with year 2013. 24 months after the grant date, a further 30% of the RSS shall vest if Joyoung Co., Ltd. completes a 10% growth of revenue and a 15% growth of profit in 2015 compared with year 2013. The final 30% of the RSS shall vest 36 months after the grant, upon meeting the performance goals of a 10% revenue increase and a 25% profit in 2016 compared with year 2013. The conditions were all met from 2014 to 2016. The RSS expired 48 months after the grant date.

The other arrangements are identical with the Scheme 2017.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. SHARE-BASED PAYMENTS—continued

Share Award Scheme of Joyoung Co., Ltd.—continued

The Scheme 2017

On operation of the Scheme 2017, Joyoung Co., Ltd. repurchased a total of 4,999,960 ordinary shares of Joyoung Co., Ltd., listed on the Shenzhen Stock Exchange, to award certain eligible participants, among which 4,800,000 shares were granted on June 8, 2018, and 199,960 shares were granted on December 7, 2018, both upon payment of grant price at RMB1.00 per share by the grantees. Eligible participants of the Schemes include 202 directors and employees of Joyoung Co., Ltd..

For the 4,800,000 shares granted to the eligible participants as RSS on June 8, 2018, 30% of the shares shall vest after the 12-month locked-in period from the grant date, on the condition that Joyoung Co., Ltd. achieving a 6% growth of revenue and a 2% growth of profit in 2018 compared with year 2017. 24 months after the grant date, a further 30% of the RSS shall vest if Joyoung Co., Ltd. achieves an 11% growth of revenue and an 8% growth of profit in 2019 compared with year 2018. The final 40% of the RSS shall vest 36 months after the grant, upon meeting the performance goals of a 17% revenue increase and a 15% profit increase in 2020 compared with year 2019. The RSS expires 48 months after the grant date.

For the 199,960 shares granted on December 7, 2018, 50% of the RSS shall vest after the 12-month locked-in period, and the other shall vest 24 months after the grant date. Performance conditions are the same as the above arrangement for 4,800,000 shares granted on June 8, 2018.

Before the expiration, in the case that Joyoung Co., Ltd. does not meet the performance goals, or certain eligible participants resign, the board of directors will decide to repurchase for the cancel action of the related RSS. The repurchase price of RSS is the lowest of (i) the grant price after an adjustment of dividends; (ii) the average stock price of Joyoung Co., Ltd.'s shares for the 20 trading days immediately preceding the date of repurchase; and (iii) the average stock price of Joyoung Co., Ltd.'s shares for the day immediately preceding the date of repurchase.

In the first 12-month vesting period, the RSS do not confer rights of dividends and votes to the eligible participants. After the first 12 months, the eligible participants are entitled to rights of dividends only.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. SHARE-BASED PAYMENTS—continued

Share Award Scheme of Joyoung Co., Ltd.—continued

The following RSS were outstanding under the Schemes:

	As at December 31,						As at June 30,	
	2016		2017		2018		2019	
	Weighted average share price		Weighted average share price		Weighted average share price		Weighted average share price	
	RMB per share	Number of RSS	RMB per share	Number of RSS	RMB per share	Number of RSS	RMB per share	Number of RSS
At the beginning of the year/period	5.98	4,059,000	5.98	1,951,500	—	—	15.72	4,899,960
Granted during the year/period	—	—	—	—	15.72	4,999,960	—	—
Exercised during the year/period	5.98	(1,951,500)	5.98	(1,903,500)	—	—	—	—
Forfeited during the year/period	5.98	(156,000)	5.98	(48,000)	15.72	(100,000)	1.00	(40,000)
At the end of the year/period	5.98	1,951,500		—	15.72	4,899,960	16.16	4,859,960

The weighted fair value per share on the grant date during 2018 was RMB15.72. No RSS were granted in the years ended December 31, 2016, 2017 and the six months ended June 30, 2019.

The fair value per share on the grant date and vesting periods of the RSS outstanding as at December 31, 2016, December 31, 2018 and June 30, 2019 are as follows:

December 31, 2016

Number of RSS	Fair value on grant date RMB per share	Grant date
1,951,500	5.98	September 1, 2014

December 31, 2018

Number of RSS	Fair value on grant date RMB per share	Grant date
4,700,000	15.81	June 8, 2018
199,960	13.66	December 7, 2018
4,899,960		

June 30, 2019

Number of RSS	Fair value on grant date RMB per share	Grant date
4,660,000	15.81	June 8, 2018
199,960	13.66	December 7, 2018
4,859,960		

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. SHARE-BASED PAYMENTS—continued

Share Award Scheme of Joyoung Co., Ltd.—continued

The fair value of the RSS granted during 2018 was RMB78.6 million (RMB15.72 each, totally equivalent to US$11.9 million) and no RSS were granted during the years ended December 31, 2016, 2017 and the six months ended June 30, 2019. During the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019, Joyoung Co., Ltd. recognized share award expenses of RMB3,470,000 (equivalent to US$522,000), RMB1,955,000 (equivalent to US$290,000), RMB25,418,000 (equivalent to US$3,846,000), RMB2,809,000 (equivalent to US$424,000) and RMB15,775,000 (equivalent to US$2,326,000), respectively.

At the date of approval of this report, Joyoung Co., Ltd. had 4,859,960 RSS outstanding under the Scheme 2017, which represented approximately 0.62% of Joyoung Co., Ltd.'s shares in issue as at that date.

Management Equity Incentive Plan of Compass

Compass operates a management equity incentive plan (the "Plan") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Plan are all executives of the Euro-Pro Group. The Plan became effective on September 29, 2017 and, unless otherwise canceled or amended, will be terminated after both the completion of an IPO and the determination of the full number of vested shares in accordance with the Plan following December 31, 2021.

Compass issued Profit Interests ("PI") shares which do not confer rights on the holders to vote at shareholders' meetings. Vesting of awards shall be calculated following each of Compass' four fiscal years ending December 31, of 2018, 2019, 2020 and 2021 respectively.

Upon the conclusion of each such fiscal year, a number of PI shares subject to each award outstanding shall vest with a value determined by the formula: (Audited net profit—US$53 million) x 16 x 1.875% x applicable percentage, where the applicable percentage is a proportion of the number of shares granted to an individual employee to the total number of shares granted to all employees entitled this equity incentive plan, subject to the grantee's continued service through the end of the applicable fiscal year. The number of Class PI shares vested shall be determined by converting such value to a number of shares using an amount equal to 16 times of the audited net profit. Awards granted are subject to performance conditions relating to the audited net profit of each of the fiscal years ending December 31 of 2018, 2019, 2020 and 2021.

On September 29, 2017 ("First Grant Date"), a total of 2,919 PI Share awards were granted to 9 eligible employees at nil consideration. The fair value of the share awards granted during the period on the First Grant Date was US$8,210,000, of which Compass recognized share award expenses of US$136,000, US$1,184,000, US$657,000 and US$528,000, respectively, during the period ended December 31, 2017, the year ended December 31, 2018 and the six months ended June 30, 2018 and 2019.

On March 30, 2018 ("Second Grant Date") and October 15, 2018 ("Third Grant Date"), Compass granted 162 and 135 PI Share awards to 2 eligible employees at nil consideration,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. SHARE-BASED PAYMENTS—continued

Management Equity Incentive Plan of Compass—continued

respectively. The fair values of the share awards granted on the Second Grant Date and the Third Grant Date were US$461,000 and US$387,000, respectively. During the year ended December 31, 2018 and the six months ended June 30, 2018 and 2019, Compass recognized share award expenses of US$78,000, US$39,000 and US$82,000, respectively.

As the performance conditions relating to the audited net profit of the fiscal year ended December 31, 2018 were not met, no share was vested in 2018.

The fair values of equity-settled share awards were estimated as at the date of grant, using a Monte-Carlo Simulation Model, taking into account the terms and conditions upon which the PI shares were granted. The following table lists the key inputs to the model used:

	2017	2018
Life of Management Equity Incentive Plan	1.25~4.25 years	0.21~3.21 years 0.76~3.76 years
Annualized staff turnover rate	17.0%	18.0%
Expected EBITDA volatility*	37.7%	35.2%-36.9%
Discount rate ("WACC")	15.5%	16.0%

Note:

* The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

In 2018, 270 PI Shares were forfeited. At the date of approval of these financial statements, Compass had 2,946 PI Shares granted to eligible participants outstanding under the Plan, which represented approximately 1.16% of Compass' shares in issue as at that date.

34. RESERVES/(DEFICITS)

The amounts of the Group's reserves/(deficits) and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages I-9 to I-13 of the Historical Financial Information.

Pursuant to the relevant rules and regulations in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries appropriate 10% of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

Put option was granted to a non-controlling shareholder due to the acquisition of the Euro-Pro Group. Financial liability is recorded at the present value of the redemption amount and the corresponding debit is made to the put option reserve and non-controlling interests on initial recognition. Put option attributable to owners of the parent and other non-controlling interests amounted to US$344,548,000 and US$243,168,000, respectively according to their shareholdings. The amounts attributed to other non-controlling interests were transferred to the put option reserve upon the reorganization in June 2019. For details, refer to note II 31.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. NON-CONTROLLING INTERESTS

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Profit/(loss) for the year/period allocated to non-controlling interests:					
Compass	—	30,042	16,593	(10,387)	(7,601)
Joyoung Co., Ltd.	68,014	64,016	64,686	33,691	29,329
Shanghai Lihong	2,461	(1,316)	(4,039)	(1,863)	(2,265)
	70,475	92,742	77,240	21,441	19,463

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Percentage of equity interest held by non-controlling interests:				
Compass (a)	—	58.96%	58.96%	—
Joyoung Co., Ltd. (b)	59.63%	59.63%	58.04%	41.11%
Profit/(loss) for the year/period allocated to non-controlling interests:				
Compass (a)	—	30,042	16,593	(7,601)
Joyoung Co., Ltd. (b)	68,014	64,016	64,686	29,329
Dividends paid to non-controlling interests:				
Compass (a)	—	—	—	—
Joyoung Co., Ltd. (b)	49,698	38,755	41,049	44,802
Accumulated balances of non-controlling interests at the reporting date:				
Compass (a)	—	290,406	295,075	—
Joyoung Co., Ltd. (b)	304,928	287,523	275,130	219,110

Notes:

(a) As at June 24, 2019, the non-controlling interests of Compass became the shareholders of the Company and Compass became a wholly-owned subsidiary of the Company after the completion of a series of share transfers arrangement.

(b) As at April 16, 2019, an individual who was the sole shareholder of Bilting Developments Limited ("Bilting"), a non-controlling interest of Joyoung Co., Ltd., entered into a share exchange arrangement with the Company. Upon the completion of the arrangement in April 2019, the individual became a shareholder of the Company and Bilting became a wholly-owned subsidiary of the Company. Profit for the year/period of Joyoung Co., Ltd. allocated to non-controlling interests for the year ended December 31, 2018, and the six months ended June 30, 2019, comprised amounts of US$18,868,000 and US$4,040,000 allocated to Bilting prior to the reorganization.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. NON-CONTROLLING INTERESTS—continued

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2016	Joyoung Co., Ltd.
	US$'000
Revenue	1,080,263
Total expenses	(969,838)
Profit for the year	110,425
Total comprehensive income for the year	68,085
Current assets	612,625
Non-current assets	198,774
Current liabilities	(299,740)
Non-current liabilities	(5,573)
Net cash flows from operating activities	151,490
Net cash flows used in investing activities	(73,868)
Net cash flows used in financing activities	(122,094)
Net decrease in cash and cash equivalents	(44,472)

2017	Compass	Joyoung Co., Ltd.
	US$'000	US$'000
Revenue	476,608	1,053,501
Total expenses	(427,781)	(948,254)
Profit for the period/year	48,827	105,247
Total comprehensive income for the period/year	48,982	144,327
Current assets	641,558	600,022
Non-current assets	1,577,214	210,984
Current liabilities	(363,570)	(257,722)
Non-current liabilities	(1,555,457)	(2,634)
Net cash flows from operating activities	35,602	7,244
Net cash flows from/(used in) investing activities	(1,311,837)	102,791
Net cash flows from/(used in) financing activities	1,305,558	(115,933)
Net increase/(decrease) in cash and cash equivalents	29,323	(5,898)

2018	Compass	Joyoung Co., Ltd.
	US$'000	US$'000
Revenue	1,480,920	1,210,070
Total expenses	(1,461,374)	(1,095,345)
Profit for the year	19,546	114,725
Total comprehensive income for the year	16,805	88,561
Current assets	701,640	755,717
Non-current assets	1,590,228	203,354
Current liabilities	(420,384)	(399,893)
Non-current liabilities	(1,553,673)	(1,332)
Net cash flows from operating activities	134,860	61,745
Net cash flows (used in)/from investing activities	(72,601)	51,609
Net cash flows used in financing activities	(68,967)	(77,976)
Net (decrease)/increase in cash and cash equivalents	(6,708)	35,378

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. NON-CONTROLLING INTERESTS—continued

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:—continued

June 30, 2019	Compass	Joyoung Co., Ltd.
	US$'000	US$'000
Revenue	669,723	609,890
Total expenses	(687,110)	(548,858)
(Loss)/profit for the period	(17,387)	61,032
Total comprehensive income for the period	(16,535)	63,454
Current assets	619,538	598,303
Non-current assets	1,575,238	286,965
Current liabilities	(313,445)	(335,664)
Non-current liabilities	(1,580,055)	(10,410)
Net cash flows from operating activities	38,800	31,713
Net cash flows used in investing activities	(30,120)	(34,160)
Net cash flows used in financing activities	(8,194)	(52,520)
Net increase/(decrease) in cash and cash equivalents	486	(54,967)

36. BUSINESS COMBINATIONS

On September 29, 2017, a subsidiary of the Group, Global Appliance LLC acquired 100% of the equity interests of the Euro-Pro Group, an unlisted group principally engaged in household appliance and electronics manufacturing under the trademarks "Shark" and "Ninja" and related operations mainly in the United States, Canada and Europe. The purchase consideration for the acquisition was made in the form of cash of US$1,317,000,000, 30% equity shares of Compass and a put option over the 30% equity shares of Compass. After the acquisition, Compass became the intermediate controlling company of the Euro-Pro Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. BUSINESS COMBINATIONS—continued

The fair values of the identifiable assets and liabilities of the Euro-Pro Group as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		US$'000
Property, plant and equipment	13	76,756
Other intangible assets	18	564,016
Other non-current assets		4,698
Right-of-use assets	17	62,723
Inventories		257,570
Cash and cash equivalents		16,215
Trade receivables		302,451
Prepayments, other receivables and other assets		40,084
Deferred tax assets	30	31,428
Trade payables		(161,663)
Other payables and accruals		(139,585)
Tax payable		(238)
Lease liabilities	17	(64,158)
Deferred tax liabilities	30	(198,061)
Other non-current liabilities		(24,165)
Total identifiable net assets at fair value		768,071
Goodwill on acquisition		839,767

	Fair value recognized on acquisition
	US$'000
Satisfied by:	
Cash	1,316,592
30% equity shares of Compass	258,252
Put option over 30% equity shares of Compass	32,994
	1,607,838

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US$'000
Cash consideration	(1,316,592)
Cash and bank balances acquired	16,215
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,300,377)

Included in the goodwill of US$839.8 million recognized are assets which do not meet the criteria for recognition as intangible assets under IAS 38 *Intangible Assets*: a) SharkNinja had a more than 10-year track record of developing successful new products, entering new product categories, and gaining large market share in those categories. SharkNinja's approach to product development starts with a deep understanding of consumer pain points and focusing on developing products to address those pain points in a unique way As a result, much of the value of the SharkNinja business is attributed to its approach to develop new products, its extensive use of consumer insights during that process, and the robust consumer insights and product development teams that are experts in that process; b) operating synergies and economies of scale through cost saving by utilizing Joyoung's

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. BUSINESS COMBINATIONS—continued

negotiation power to integrate both Joyoung's and SharkNinja's abundant resources in procurement and production in China and offer high-quality products at more competitive prices; and c) opportunity to further growth in regions other than North America with more diverse product portfolio.

The Group incurred transaction costs of US$13,339,000 for the acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statements of profit or loss.

Since the acquisition, the Euro-Pro Group contributed US$476,608,000 to the Group's turnover and US$70,361,000 to the consolidated profit for the period from the acquisition date to December 31, 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group, the gross profit of the Group and the profit of the Group for the period from January 1, 2017 to December 31, 2017 would have been US$2,425,644,000, US$903,408,000 and US$165,394,000, respectively.

37. DISPOSAL OF SUBSIDIARIES

On November 29, 2017, a subsidiary of the Group, disposed of 80% share interests in Hangzhou Onecup to Lcer Three Limited (a related party of the Group), at a consideration of RMB8,500,000 (equivalent to US$1,306,000). After the disposal, Hangzhou Onecup became an associate of the Group.

On August 25, 2018, a subsidiary of the Group, disposed of 50% share interests in Hangzhou Joyoung to Ningbo Meishan Free Trade Port Area Lihao Investment Limited (寧波梅山保税港區力豪投資有限公司) (a related party of the Group), at a consideration of RMB29,941,000 (equivalent to US$4,354,000). After the disposal, Hangzhou Joyoung became an associate of the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37. DISPOSAL OF SUBSIDIARIES—continued

On May 31, 2018, a subsidiary of the Group, disposed of 100% share interests in Suzhou Joyoung to Well Lead Medical Co., Ltd. (廣州維力醫療器械股份有限公司) (a third party of the Group), at a consideration of RMB106,890,000 (equivalent to US$15,547,000).

	Notes	2017	2018
		US$'000	US$'000
Net assets disposed of:			
Property, plant and equipment	13	126	6,406
Investment properties	14	—	4,944
Cash and bank balances		392	7,234
Trade receivables		107	249
Prepayments, other receivables and other assets		556	9,087
Inventories		650	1,531
Prepaid land lease payments	15	—	944
Other non-current assets		—	5,269
Deferred tax assets	30	—	157
Interest-bearing bank borrowings		—	(7,272)
Trade payables		(996)	(6,211)
Other payables and accruals		(828)	(3,058)
Tax payable		—	(288)
Deferred tax liabilities	30	—	(9)
		7	18,983
Net: net assets associated with the equity interests in non-controlling interests		—	(6,224)
Net assets associated with the equity interests in subsidiaries		7	12,759
Fair value of the residual investment		327	2,613
Gain on disposal of subsidiaries	6	1,626	9,755
Satisfied by:			
Cash		—	15,547
Other receivables		1,306	4,354
		1,306	19,901

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017	2018
	US$'000	US$'000
Cash consideration	—	15,547
Cash and bank balances disposed of	(392)	(7,234)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(392)	8,313

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Acquisition of the Euro-Pro Group

On September 29, 2017, a subsidiary of the Group, Global Appliance LLC acquired 100% of the equity interests of the Euro-Pro Group, an unlisted group principally engaged in household appliance and electronics manufacturing under the trademarks "Shark" and "Ninja" and related operations mainly in the United States, Canada and Europe. The purchase consideration for the acquisition was made in the form of cash of US$1,316,592,000, 30% equity shares of Compass valued US$258,252,000 and a put option over the 30% equity shares of Compass valued US$32,994,000.

Dividends set-off

During the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, the dividends declared by Shanghai Lihong amounting to nil, US$23,849,000, US$86,745,000 and nil, respectively, were used to set off the amounts due from shareholders.

Restructuring

During the six months ended June 30, 2019, the Group underwent the Reorganization through a series of share transfers as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

(b) Changes in liabilities arising from financing activities

	Dividends payable	Lease liabilities
	US$'000	US$'000
At January 1, 2016	—	1,324
Changes from financing cash flows	(62,265)	(2,008)
Dividends declared	62,265	—
Additions of lease liabilities	—	6,890
Interest expenses during the year	—	238
At December 31, 2016	—	6,444

	Dividends payable	Interest-bearing bank borrowings	Lease liabilities
	US$'000	US$'000	US$'000
At January 1, 2017	—	—	6,444
Changes from financing cash flows	(38,755)	1,201,354	(4,294)
Dividends declared	61,738	—	—
Set off with amounts due from shareholders	(23,849)	—	—
Additions of liabilities	—	—	64,158
Interest expenses during the year	—	2,367	920
Exchange differences	866	—	463
At December 31, 2017	—	1,203,721	67,691

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

(b) Changes in liabilities arising from financing activities—continued

	Dividends payable	Interest-bearing bank borrowings	Lease liabilities
	US$'000	US$'000	US$'000
At January 1, 2018	—	1,203,721	67,691
Changes from financing cash flows	(83,135)	(27,974)	(13,868)
Dividends declared	173,610	—	—
Set off with amounts due from shareholders	(86,745)	—	—
Additions of lease liabilities	—	—	7,418
Interest expenses during the year	—	9,518	2,964
Exchange differences	(530)	—	(613)
At December 31, 2018	3,200	1,185,265	63,592

	Dividends payable	Interest-bearing bank borrowings	Lease liabilities
	US$'000	US$'000	US$'000
At January 1, 2018	—	1,203,721	67,691
Changes from financing cash flows	(41,049)	(9,522)	(6,268)
Dividends declared	41,049	—	—
Additions of lease liabilities	—	—	5,720
Interest expenses during the period	—	4,779	1,490
Exchange differences	—	—	(232)
At June 30, 2018	—	1,198,978	68,401

	Dividends payable	Interest-bearing bank borrowings	Lease liabilities
	US$'000	US$'000	US$'000
At January 1, 2019	3,200	1,185,265	63,592
Changes from financing cash flows	(44,231)	(341,796)	(8,485)
Dividends declared	44,802	—	—
Additions of lease liabilities	—	—	12,914
Interest expenses during the period	—	6,875	1,534
Exchange differences	—	(3)	40
At June 30, 2019	3,771	850,341	69,595

39. PLEDGE OF ASSETS

Details of the Group's trade and bills payables and bank borrowings, which are secured by the assets and equity interests of the Group, are included in notes II 27, II 29 and II 42, respectively.

40. CONTINGENT LIABILITIES

On May 14, 2015, the Euro-Pro Group entered into a five-year agreement for advertising services that can be extended at the Euro-Pro Group's option, if certain conditions are met, for two 24-month terms. The agreement can be terminated in the third year if net sales of products covered by the agreement are less than US$100,000,000 or upon default by the parties. Under the agreement, the Group is required to make annual payments of US$3,500,000 as well as to pay additional contingent

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. CONTINGENT LIABILITIES—continued

amounts based on a percentage of net sales, as defined in the agreement. At December 31, 2018, the agreement was early terminated and there were no contingent payments probable under the agreement.

41. OPERATING LEASE ARRANGEMENTS

The Group leased certain properties under operating leases as a lessor. These leases have remaining non-cancellable lease terms ranging from 1 to 6 years.

At December 31, 2016, 2017 and 2018 and at June 30, 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Within one year	4,610	2,919	2,038	3,615
In the second to fifth years, inclusive	7,179	6,219	6,122	9,346
After five years	4,263	2,715	1,259	486
	16,052	11,853	9,419	13,447

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial information, the Group had the following transactions with related parties during the Relevant Periods:

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	US$'000	US$'000	US$'000	US$'000	US$'000
Sale of goods to associates:	i					
Beijing Zhongdingzhilian Trading Co., Limited (北京中鼎智聯商貿有限公司)		11,805	20,925	24,052	11,437	9,245
Shanghai Fanqi Health Technology Development Co., Limited (上海泛齊健康科技發展有限公司)		—	6,150	11,669	5,421	5,479
Jinan Zhengming Trading Co., Limited (濟南正銘商貿有限公司)		10,091	13,468	11,399	5,753	5,959
Shenzhen Northwest Sunshine Appliance Co., Limited (深圳市西貝陽光電器有限公司)		10,735	9,077	10,365	6,089	4,884
Shenzhen Huaqiang Joyoung Network Technology Co., Limited (深圳華強九陽網絡技術有限公司)		68,165	15,821	1,729	1,775	—
Nanjing Chengyangyuan Appliance Co., Limited (南京誠陽源電器有限公司)		16,687	18,710	—	—	—
Henan Xulian Trading Co., Limited (河南旭聯商貿有限公司)		7,651	7,159	8,520	4,265	4,306
Sichuan Xindian Trading Co., Limited (四川省信電商貿有限公司)		5,419	7,156	8,496	3,967	4,639
Others	ii	10,219	28,831	26,605	13,270	10,852
		140,772	127,297	102,835	51,977	45,364

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. RELATED PARTY TRANSACTIONS—continued

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	US$'000	US$'000	US$'000	US$'000	US$'000
Purchases of goods from associates:	i					
Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司)		107,334	126,451	120,226	42,415	51,124
Hangzhou Hongfeng Electronic Fittings Co., Limited (杭州弘豐電子配件有限公司)		50,400	51,585	73,385	28,724	44,472
Hangzhou Yongyao Technology Co., Limited (杭州永耀科技有限公司)		68,198	55,782	60,288	26,328	22,163
Shandong Shengning Appliance Co., Limited (山東勝寧電器有限公司)		—	15,885	33,193	15,051	15,075
Shandong Yiteng Small Appliance Co., Limited (山東一騰小家電有限公司)		—	8,254	20,968	5,499	9,166
Ningbo Jinhai Mold Plastic Co., Limited (寧波錦海模具塑膠有限公司)		13,019	14,641	10,010	4,905	2,586
Others	ii	288	1,373	414	118	176
		239,239	273,971	318,484	123,040	144,762
Rental income from associates	iii	1,397	1,474	1,293	736	656
Interest income from associates	iv	—	77	31	16	5
Purchase of properties from an associate	v	—	—	14,129	—	—
Disposal of subsidiaries to related parties	vi	—	1,306	5,660	—	—
Disposal of equity investments to a shareholder	vii	—	—	6,981	6,981	—
Advance to shareholders	viii	27,250	18,384	—	—	5,172
Settlement of advance to shareholders	viii	—	23,849	89,011	2,266	887
Loan from shareholders	ix	—	—	—	—	477,114

Notes:

(i) The sales to/purchases from the associates were made according to the prices and conditions mutually agreed by both parties.

(ii) The amounts represented the aggregate transaction amounts with certain of the Group's associates that are widely dispersed and not individually significant.

(iii) The rental income from the associates were made according to the contracts agreed by both parties.

(iv) The interest income from associates was made according to the benchmark one-year lending rate.

(v) The purchase of properties from Hangzhou Joyoung Properties Limited ("杭州九陽置業有限公司") was made according to the prices and conditions mutually agreed by both parties.

(vi) In November 2017, a subsidiary of the Group disposed of a subsidiary to Lcer Three Limited, which was controlled by Mr. Wang Xuning. The outstanding balance is included in prepayments, other receivables and other assets as at December 31, 2017 and 2018, further details of which are given in note II 37.

In August 2018, a subsidiary of the Group disposed of a subsidiary to Ningbo Meishan Free Trade Port Area Lihao Investment Limited ("寧波梅山保稅港區力豪投資有限公司"), which was controlled by Mr. Wang Xuning. The outstanding balance is included in prepayments, other receivables and other assets as at December 31, 2018, further details of which are given in note II 37.

(vii) In May 2018, a subsidiary of the Group disposed of equity investments to Shanghai Hezhou Investment Co., Ltd ("上海合舟投資有限公司"), which was controlled by Mr. Wang Xuning. The consideration was partially settled by cash, and the outstanding balance was included in prepayments, other receivables and other assets as at December 31, 2018.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. RELATED PARTY TRANSACTIONS—continued

(viii) The advance to shareholders was interest-free, and had been partially settled with dividends amounting to nil, US$23,849,000, US$86,745,000, nil and nil, respectively, during the years of 2016, 2017, 2018, the six months ended June 30, 2018 and 2019, and settled with cash amounting to nil, nil US$2,266,000, US$2,266,000 and US$887,000, respectively, during the years of 2016, 2017, 2018, and the six months ended June 30, 2018 and 2019.

(ix) On June 16, 2019, as a reorganization step, JS Holding Limited Partnership ("JS Holding", formerly known as Hezhou Limited Partnership), the controlling shareholder, borrowed a loan of US$470 million from Industrial and Commercial Bank of China (Asia) Limited and lent the money to the Company. The Company through JY-SN, then acquired a 100% equity interest in Xiang Hong from Chen Hong (a wholly-owned subsidiary of Zheng Hong, and Zheng Hong is a wholly-owned subsidiary of Shanghai Lihong). Chen Hong distributed the consideration received for the disposal of Xiang Hong to Zheng Hong, who then repaid the loan of US$470 million in full, as set out in the paragraph 5.1 headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. The amounts due to shareholders are interest-free and have no fixed payment terms. The loan of JS Holding is secured by the pledge of 276,300,000 shares of Joyoung Co., Ltd..

(b) Outstanding balances with related parties:

(i) Details of the Group's trade balances with its associates as at the end of each reporting period are disclosed in notes II 23 and II 27.

(ii) Details of the Group's advance to shareholders as at the end of each reporting period are disclosed in note II 24, the balance is unsecured, interest-free and has no fixed terms of settlement.

(c) Key management compensation

Compensation for key management other than those for directors as disclosed in note II 9 are set out below:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Salaries, allowances and benefits in kind	186	602	1,632	803	831
Performance-related bonuses	280	815	2,294	1,226	1,275
Pension scheme contributions	6	11	19	15	21
Share award expense	46	25	431	66	266
Total	518	1,453	4,376	2,110	2,393

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

December 31, 2016

Financial assets	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	US$'000	US$'000	US$'000	US$'000
Financial assets at fair value through profit or loss	—	209,427	—	209,427
Financial assets designated at fair value through other comprehensive income	24,164	—	—	24,164
Trade and bills receivables	208,664	—	15,877	224,541
Financial assets included in prepayments, other receivables and other assets	—	—	107,520	107,520
Pledged deposits	—	—	4,974	4,974
Cash and cash equivalents	—	—	127,220	127,220
	232,828	209,427	255,591	697,846

Financial liabilities	Financial liabilities at amortized cost	Total
	US$'000	US$'000
Trade and bills payables	180,647	180,647
Financial liabilities included in other payables and accruals	18,070	18,070
Lease liabilities	6,444	6,444
	205,161	205,161

December 31, 2017

Financial assets	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	US$'000	US$'000	US$'000	US$'000
Financial assets at fair value through profit or loss	—	114,278	—	114,278
Financial assets designated at fair value through other comprehensive income	31,921	—	—	31,921
Other non-current assets	—	—	912	912
Trade and bills receivables	264,139	—	363,384	627,523
Financial assets included in prepayments, other receivables and other assets	—	—	143,157	143,157
Pledged deposits	—	—	7,080	7,080
Cash and cash equivalents	—	—	211,003	211,003
	296,060	114,278	725,536	1,135,874

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL INSTRUMENTS BY CATEGORY—continued

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:—continued

December 31, 2017—continued

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	US$'000	US$'000	US$'000
Trade and bills payables	—	262,076	262,076
Financial liabilities included in other payables and accruals	—	17,422	17,422
Interest-bearing bank borrowings	—	1,203,721	1,203,721
Financial liabilities associated with put option	627,833	—	627,833
Lease liabilities	—	67,691	67,691
	627,833	1,550,910	2,178,743

December 31, 2018

Financial assets	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	US$'000	US$'000	US$'000	US$'000
Financial assets at fair value through profit or loss	—	76,647	—	76,647
Financial assets designated at fair value through other comprehensive income	35,643	—	—	35,643
Other non-current assets	—	—	1,145	1,145
Trade and bills receivables	349,342	—	423,318	772,660
Financial assets included in prepayments, other receivables and other assets	—	—	25,194	25,194
Pledged deposits	—	—	26,588	26,588
Cash and cash equivalents	—	—	180,872	180,872
	384,985	76,647	657,117	1,118,749

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	US$'000	US$'000	US$'000
Trade and bills payables	—	408,632	408,632
Financial liabilities included in other payables and accruals	—	23,430	23,430
Interest-bearing bank borrowings	—	1,185,265	1,185,265
Financial liabilities associated with put option	656,650	—	656,650
Lease liabilities	—	63,592	63,592
	656,650	1,680,919	2,337,569

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL INSTRUMENTS BY CATEGORY—continued

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:—continued

June 30, 2019

Financial assets	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	US$'000	US$'000	US$'000	US$'000
Financial assets at fair value through profit or loss	—	109,428	—	109,428
Financial assets designated at fair value through other comprehensive income	35,651	—	—	35,651
Other non-current assets	—	—	779	779
Trade and bills receivables	177,165	—	368,519	545,684
Financial assets included in prepayments, other receivables and other assets	—	—	49,500	49,500
Pledged deposits	—	106,115	110,814	216,929
Cash and cash equivalents	—	—	152,475	152,475
	212,816	215,543	682,087	1,110,446

Financial liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	US$'000	US$'000	US$'000
Trade and bills payables	—	336,680	336,680
Financial liabilities included in other payables and accruals	—	509,630	509,630
Interest-bearing bank borrowings	—	850,341	850,341
Financial liabilities associated with put option	671,719	—	671,719
Lease liabilities	—	69,595	69,595
	671,719	1,766,246	2,437,965

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance manager analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits other than that measured at fair value, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

For financial assets measured at fair value, the following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Bills receivables and pledged deposits measured at fair value are categorized as level 2, while financial assets through profit and loss, financial assets designated at fair value through other comprehensive income and financial liabilities associated with put option are categorized as level 3.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each reporting period:

	As at December 31,			As at June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2016	2017	2018	2019			
	US$'000	US$'000	US$'000	US$'000			
Unlisted financial assets at fair value through profit or loss/designated at fair value through other comprehensive income	233,591	146,199	112,290	145,079	Level 3	Discounted cash flows. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio, discounted at a rate that reflects the credit risk of various counterparty.	Expected yield of the underlying investment portfolio and the discount rate
Financial liabilities associated with put option	—	627,832	656,649	671,719	Level 3	Discount of the Repurchase Price. (note II 31)	Compass' forecasted EBITDA during a 12 month period prior to the exercise date and the discount rate (note II 31)

The following table demonstrates the sensitivity to reasonably possible changes in discount rate, with all other variables held constant, of the fair value of the financial assets through profit or loss:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Discount rate*(1-5%)	7,779	1,793	867	2,657
Discount rate*(1+5%)	(7,038)	(1,623)	(784)	(2,404)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

The following table demonstrates the sensitivity to reasonably possible changes in discount rate, with all other variables held constant, of the fair value of the financial assets designated at fair value through other comprehensive income:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	US$'000	US$'000	US$'000	US$'000
Discount rate*(1-5%)	5,018	4,737	4,254	4,254
Discount rate*(1+5%)	(4,542)	(4,269)	(3,907)	(3,907)

The following table demonstrates the sensitivity to reasonably possible changes in discount rate and the repurchase price as at September 30, 2020, with all other variables held constant, of the fair value of the financial liabilities associated with put option.

	As at December 31,		As at June 30,
	2017	2018	2019
	US$'000	US$'000	US$'000
Discount rate*(1-5%)	3,804	2,529	1,850
Discount rate*(1+5%)	(3,733)	(2,514)	(1,841)
Compass' forecasted EBITDA during a 12-month period prior to the exercise date*(1+3%)	18,835	19,696	20,141
Compass' forecasted EBITDA during a 12-month period prior to the exercise date*(1-3%)	(18,835)	(19,696)	(20,141)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, other interest-bearing loans, financial assets at fair value through profit or loss, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Interest rate risk—continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
	%	US$'000
2016		
If interest rate increases by	1	—
If interest rate decreases by	(1)	—
2017		
If interest rate increases by	1	(2,832)
If interest rate decreases by	(1)	2,832
2018		
If interest rate increases by	1	(11,321)
If interest rate decreases by	(1)	11,321
June 30, 2019		
If interest rate increases by	1	(6,897)
If interest rate decreases by	(1)	6,897

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 2%, 2%, 1.2%, 1.1% and 1.6% of the Group's sales in 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019 were denominated in currencies other than the functional currencies of the operating units making the sales. Management has assessed that the Group's profit before tax is not sensitive to the currency exchange rate at the end of each reporting period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Foreign currency risk—continued

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the RMB and HK$ exchange rate of the Group's equity due to changes in the currency translation.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in equity*
	%	US$'000
December 31, 2016		
If US$ weakens against RMB	5	18,941
If US$ strengthens against RMB	(5)	(18,941)
If US$ weakens against HK$	5	3
If US$ strengthens against HK$	(5)	(3)
December 31, 2017		
If US$ weakens against RMB	5	20,072
If US$ strengthens against RMB	(5)	(20,072)
If US$ weakens against HK$	5	1
If US$ strengthens against HK$	(5)	(1)
December 31, 2018		
If US$ weakens against RMB	5	13,363
If US$ strengthens against RMB	(5)	(13,363)
If US$ weakens against HK$	5	(6)
If US$ strengthens against HK$	(5)	6
June 30, 2019		
If US$ weakens against RMB	5	179
If US$ strengthens against RMB	(5)	(179)
If US$ weakens against HK$	5	(123)
If US$ strengthens against HK$	(5)	123

* Excluding retained profits.

Credit risk

The Group is exposed to credit risk in relation to its trade receivables and other receivables, pledged deposits, and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with pledged deposits, and cash and cash equivalents, since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group expects that the credit risk associated with trade receivables and other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligation in the near term. Thus, impairment provision was recognized during the Relevant Periods was nil for the trade receivables and other receivables due from related parties.

The Group trades only with recognized and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Credit risk—continued

credit risk within the Group as the customer bases of the Group's trade receivables and other receivables are widely dispersed. The expected credit losses for trade receivables are disclosed in note II 23. Financial assets included in prepayments, other receivables and other assets mainly represent rental receivables, advance from employees, deposits with suppliers and amount due from related parties. Credit risk is managed by analysis by counterparties, as no comparable companies with credit ratings can be identified. Expected credit losses are estimated with reference to the historical loss record of the Group and other reasonable forward-looking information, which resulted in expected credit losses US$396,000, US$525,000, US$559,000 and US$508,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in notes II 23 and II 24.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, is as follows:

Year ended December 31, 2016

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Trade and bills payables	180,647	—	—	—	180,647
Financial liabilities included in other payables and accruals	18,070	—	—	—	18,070
Lease liabilities	684	2,052	4,062	625	7,423
	199,401	2,052	4,062	625	206,140

Year ended December 31, 2017

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	7,312	23,739	781,152	427,004	1,239,207
Trade and bills payables	262,076	—	—	—	262,076
Financial liabilities included in other payables and accruals	17,422	—	—	—	17,422
Lease liabilities	3,381	10,073	27,374	47,084	87,912
	290,191	33,812	808,526	474,088	1,606,617

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Liquidity risk—continued

Year ended December 31, 2018

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	7,678	492,131	274,860	424,787	1,199,456
Trade and bills payables	408,632	—	—	—	408,632
Financial liabilities included in other payables and accruals	23,430	—	—	—	23,430
Lease liabilities	3,517	10,244	25,761	42,036	81,558
	443,257	502,375	300,621	466,823	1,713,076

Six months ended June 30, 2019

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	13,841	50,724	443,335	428,530	936,430
Trade and bills payables	336,680	—	—	—	336,680
Financial liabilities included in other payables and accruals	509,630	—	—	—	509,630
Lease liabilities	4,605	10,930	28,340	43,598	87,473
	864,756	61,654	471,675	472,128	1,870,213

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for capital management during the Relevant Periods.

46. SUBSEQUENT EVENTS

In September 2019, Shanghai Lihong Enterprises Management Co., Ltd. and Joyoung Co., Ltd., subsidiaries of the Group, declared dividends to its shareholders amounting to RMB270,067,000 (equivalent to US$37,749,000) and RMB383,656,000 (equivalent to US$53,920,000), respectively.

In October 2019, the Group borrowed new bank loans with principal amount of US$470 million and repaid the amount due to the shareholders of US$464 million.

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2019.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION

Pre-acquisition financial information of the Euro-Pro Group for the years ended March 31, 2016 and 2017 and the period from April 1 to September 28, 2017 (the "Pre-acquisition Period") has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as "Financial Information of the Euro-Pro Group Business".

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section III notes	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
		US$'000	US$'000	US$'000
REVENUE	5	1,438,429	1,354,804	588,453
Cost of sales		(844,283)	(778,095)	(346,668)
Gross profit		594,146	576,709	241,785
Other income and gains	5	95	5,550	560
Selling and distribution expenses		(300,370)	(278,995)	(115,300)
Administrative expenses		(216,420)	(224,495)	(111,669)
Impairment losses on financial assets		(4,104)	(4,129)	(874)
Other expenses		(723)	(3,993)	—
Finance costs	7	(10,510)	(10,721)	(4,975)
PROFIT BEFORE TAX	6	62,114	59,926	9,527
Income tax (expense)/credit	9	(27,051)	(39,031)	1,063
PROFIT FOR THE YEAR/PERIOD		35,063	20,895	10,590

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
PROFIT FOR THE YEAR/PERIOD	35,063	20,895	10,590
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	418	(1,302)	1,386
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	418	(1,302)	1,386
OTHER COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD, NET OF TAX	418	(1,302)	1,386
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	35,481	19,593	11,976

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section III notes	March 31, 2016	March 31, 2017	September 28, 2017
		US$'000	US$'000	US$'000
NON-CURRENT ASSETS				
Property, plant and equipment	10	64,778	69,735	76,755
Right-of-use assets	11	23,657	16,047	70,881
Other intangible assets	12	938	2,269	5,129
Deferred tax assets	13	40,580	37,912	38,160
Other non-current assets	14	768	5,423	4,683
Total non-current assets		130,721	131,386	195,608
CURRENT ASSETS				
Inventories	15	160,063	171,990	228,639
Trade receivables	16	233,316	234,213	302,451
Prepayments, other receivables and other assets	17	8,622	22,458	19,937
Cash and cash equivalents	18	17,661	5,590	16,401
Total current assets		419,662	434,251	567,428
CURRENT LIABILITIES				
Trade payables	19	40,020	57,176	161,663
Other payables and accruals	20	173,056	149,282	149,018
Interest-bearing bank borrowings	21	3,784	—	—
Lease liabilities	11	8,382	6,100	7,645
Tax payable		1,384	15,213	10,606
Total current liabilities		226,626	227,771	328,932
NET CURRENT ASSETS		193,036	206,480	238,496
TOTAL ASSETS LESS CURRENT LIABILITIES		323,757	337,866	434,104
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	21	253,318	252,800	284,526
Lease liabilities	11	17,545	11,552	66,727
Other non-current liabilities	22	13,655	14,682	13,187
Total non-current liabilities		284,518	279,034	364,440
Net assets		39,239	58,832	69,664
EQUITY				
Retained earnings		38,978	59,873	69,319
Exchange fluctuation reserve		261	(1,041)	345
Total equity		39,239	58,832	69,664

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Retained earnings	Exchange fluctuation reserve	Total equity
	US$'000	US$'000	US$'000
At April 1, 2015	116,423	(157)	116,266
Profit for the year	35,063	—	35,063
Other comprehensive income for the year:			
Exchange differences related to foreign operations	—	418	418
Total comprehensive income for the year	35,063	418	35,481
Dividends distribution	(112,508)	—	(112,508)
At March 31, 2016	38,978	261	39,239
As at April 1, 2016	38,978	261	39,239
Profit for the year	20,895	—	20,895
Other comprehensive income for the year:			
Exchange differences related to foreign operations	—	(1,302)	(1,302)
Total comprehensive income for the year	20,895	(1,302)	19,593
At March 31, 2017	59,873	(1,041)	58,832
As at April 1, 2017	59,873	(1,041)	58,832
Profit for the period	10,590	—	10,590
Other comprehensive income for the period:			
Exchange differences related to foreign operations	—	1,386	1,386
Total comprehensive income for the period	10,590	1,386	11,976
Dividends distribution	(1,144)	—	(1,144)
At September 28, 2017	69,319	345	69,664

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section III notes	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
		US$'000	US$'000	US$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		62,114	59,926	9,527
Adjustments for:				
Finance costs	7	10,510	10,721	4,975
Loss on disposal of items of property, plant and equipment	6	6,070	—	—
Depreciation	6	39,935	47,136	27,478
Reversal of write-down of inventories to net realizable value	6	(541)	(2,701)	(512)
Impairment for trade receivables	6	4,104	4,129	874
		122,192	119,211	42,342
Recognition of right-of-use assets		(3,648)	(186)	(59,692)
Decrease/(increase) in other non-current assets		223	(4,655)	740
Increase in inventories		(19,777)	(9,226)	(56,137)
Increase in trade receivables		(9,762)	(5,026)	(69,112)
Decrease/(increase) in prepayments, other receivables and other assets		484	(3,599)	2,521
(Decrease)/increase in trade payables		(20,316)	17,156	104,487
Increase/(decrease) in other payables and accruals		19,868	(27,126)	1,265
Recognition of lease liabilities		3,648	186	59,692
Increase/(decrease) in provision		1,501	1,313	(1,548)
(Decrease)/increase in other non-current liabilities		(335)	4,921	(105)
Cash generated from operations		94,078	92,969	24,453
Income tax paid		(28,090)	(26,801)	(5,182)
Net cash flows from operating activities		65,988	66,168	19,271
CASH FLOWS FROM INVESTING ACTIVITIES				
Issuance of related party notes receivable		—	(10,237)	—
Purchases of items of property, plant and equipment		(42,276)	(43,032)	(30,784)
Net proceeds received from sale of items of property, plant and equipment		—	994	—
Additions to other intangible assets		(938)	(1,331)	(2,860)
Net cash flows used in investing activities		(43,214)	(53,606)	(33,644)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		116,471	45,159	31,384
Repayment of bank loans		(4,000)	(51,000)	—
Financing costs for bank loans		(2,295)	(409)	—
Payment of lease liabilities		(7,903)	(8,601)	(3,744)
Dividends paid		(112,508)	—	—
Interest paid		(9,297)	(8,480)	(3,842)
Net cash flows (used in)/from financing activities		(19,532)	(23,331)	23,798

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,242	(10,769)	9,425
Cash and cash equivalents at beginning of the year/period	14,001	17,661	5,590
Effect of foreign exchange rate changes, net	418	(1,302)	1,386
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	17,661	5,590	16,401
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17,661	5,590	16,401

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION

Euro-Pro HoldCo, LLC ("Euro-Pro") is a limited liability company incorporated in Delaware on November 5, 2014. Its registered address is 89A Street, Needham, MA 02494.

During the the years ended March 31, 2016 and 2017 and the period from April 1 to September 28, 2017 (the "Reporting Periods"), Euro-Pro and its subsidiaries (collectively referred to as the "Euro-Pro Group") was involved in the following principal activities: design, marketing, import, and distribution of a full range of floor care products, hard-surface steam cleaning products, small kitchen appliances and garment care products under the brand of "Shark" and "Ninja".

Information about subsidiaries

Particulars of Euro-Pro's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to Euro-Pro		Principal activities
			Direct	Indirect	
EP Midco LLC	United States	—	—	100	Investment holding
Euro-Pro International Holding Company	United States	—	—	100	Investment holding
Euro-Pro Europe Ltd.	United Kingdom	GBP100	—	100	Manufacture and sale of home appliance products
UK Euro-Pro Limited	United Kingdom	GBP100	—	100	Manufacture and sale of home appliance products
Euro-Pro Hong Kong Limited	Hong Kong	HK$2/ HK$10,000	—	100	Investment holding and provision of consulting services
Euro-Pro Suzhou Technical Advisory Services Co, Ltd.	PRC/Mainland China	RMB250,000	—	100	Provision of design services, technical consulting services and strategic planning services
SharkNinja Operating LLC	United States	—	—	100	Manufacture and sale of home appliance products
SharkNinja Management LLC	United States	—	—	100	Manufacture and sale of home appliance products
SharkNinja Sales Company	United States	—	—	100	Retailing of home appliance products
Euro-Pro Commerce Consulting (Shenzhen) Co., Ltd.	PRC/Mainland China	RMB100,000	—	100	Manufacture and sale of home appliance products, marketing, supply chain management and consultancy
SharkNinja Co., Ltd.	Japan	JPY1,000,000	—	100	Manufacture and sale of home appliance products

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

2. BASIS OF PREPARATION

The financial information of the Euro-Pro Group for the Reporting Periods (the "Pre-acquisition Financial Information") has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations issued and approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions, and IFRS 16 *Leases* has been early adopted by the Euro-Pro Group in the preparation of the Pre-acquisition Financial Information throughout the Reporting Periods.

The Pre-acquisition Financial Information has been prepared in accordance with the accounting policies set out in note II 2.4.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Pre-acquisition Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Further details are included in note II 3.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Euro-Pro Group's business as one single segment for the purpose of making decisions about resource allocation and performance assessment, no segment information is disclosed.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Revenue from contracts with customers			
Sale of goods and provision of extended warranties	1,438,429	1,354,804	588,453

(a) Disaggregated revenue information

	For the year ended March 31, 2016			
	North America	Europe	Others	Total
	US$'000	US$'000	US$'000	US$'000
Total revenue from contracts with customers	1,344,781	51,344	42,304	1,438,429

	For the year ended March 31, 2017			
	North America	Europe	Others	Total
	US$'000	US$'000	US$'000	US$'000
Total revenue from contracts with customers	1,282,654	58,326	13,824	1,354,804

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

5. REVENUE, OTHER INCOME AND GAINS—continued

(a) Disaggregated revenue information—continued

	For the period from April 1 to September 28, 2017			
	North America	Europe	Others	Total
	US$'000	US$'000	US$'000	US$'000
Total revenue from contracts with customers	539,614	42,175	6,664	588,453

The following table shows the amounts of revenue recognized in the Reporting Periods that were included in the contract liabilities at the beginning of each period:

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Sale of goods and provision of extended warranties	527	557	292

(b) Performance obligations

Information about the Euro-Pro Group's performance obligations is summarized below:

Sale of home appliance products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 60 days from delivery. Some contracts provide customers with a right of return and sales rebates which give rise to variable consideration subject to constraint.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2016, March 31, 2017 and September 28, 2017 are as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Within one year	557	584	560
More than one year	1,607	1,416	1,315
	2,164	2,000	1,875

Other income and gains included the following:

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Insurance compensation	—	5,550	—
Others	95	—	560
	95	5,550	560

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

6. PROFIT BEFORE TAX

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

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Cost of inventories sold	844,283	778,095	343,231
Depreciation	39,935	47,136	27,478
Loss on disposal of items of property, plant and equipment	6,070	—	—
Minimum lease payments under operating leases	1,308	1,220	1,915
Auditor's remuneration	630	645	705
Impairment for trade receivables (note III 16)	4,104	4,129	874
Reversal of write-down of inventories to net realizable value (note III 15)	(541)	(2,701)	(512)
Employee benefit expense:			
Wages and salaries	143,504	143,788	192,466
Defined contribution plan	1,814	2,272	997
	145,318	146,060	193,463
Additional product warranty provision (note III 20)	3,976	10,490	2,212
Foreign exchange differences, net	685	3,520	503

7. FINANCE COSTS

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Interest expenses on bank borrowings	9,498	8,633	3,861
Interest on leasing obligations	456	140	772
Amortization of deferred finance costs	556	1,948	342
	10,510	10,721	4,975

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the period/year is disclosed as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	1,481	1,526	780
Performance related bonuses	45,762	51,181	41,659
Pension scheme contributions	1,988	2,075	1,121
	49,231	54,782	43,560

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

9. INCOME TAX

Taxes on assessable profits have been provided at the rates of tax prevailing in the countries in which the Euro-Pro Group operates.

	For the year ended March 31, 2016	For the year ended to March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Current—United States	20,781	22,980	6,656
Current—elsewhere	565	1,712	591
Uncertain tax positions (a)	2,981	11,671	(8,062)
Deferred tax (note III 13)	2,724	2,668	(248)
Tax charge/(credit) for the year/period	27,051	39,031	(1,063)

Note:

(a) The Company's federal tax returns for the years ended March 31, 2011, 2012, 2013 and 2014 were under IRS audit during the year ended March 31, 2016 and 2017. The Company accrued uncertain tax liabilities based on the status of IRS audit, which was asserting that a portion of the director's compensation was considered excessive compensation that was not deductible for tax purposes. The case was settled in December 2017.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

9. INCOME TAX—continued

A reconciliation of the tax expense/credit applicable to profit/(loss) before tax at the statutory rate to the tax expense/credit at the effective tax rate is as follows:

For the year ended March 31, 2016	United States		United Kingdom		Mainland China		Hong Kong		Others		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	59,039		(930)		4,009		(4)		—		62,114	
Tax at the statutory tax rates	20,665	35.0	(187)	20.0	1,002	25.0	(1)	16.5	—	—	21,479	34.6
Adjustments in respect of current tax of previous periods	881	1.5	(240)	25.8	—	—	26	(650.0)	—	—	667	1.1
Expenses not deductible for tax	5,198	8.8	30	(3.2)	173	4.3	—	—	—	—	5,401	8.7
Super deduction on research and development costs	(1,817)	(3.1)	(238)	25.6	—	—	—	—	—	—	(2,055)	(3.3)
Tax charges for specific provinces or enacted by local authority	1,559	2.6	—	—	—	—	—	—	—	—	1,559	2.5
Tax expense/(credit) at the Euro-Pro Group's effective tax rate	26,486	44.8	(635)	68.2	1,175	29.3	25	(633.5)	—	—	27,051	43.6

For the year ended March 31, 2017	United States		United Kingdom		Mainland China		Hong Kong		Others		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	66,552		(9,324)		2,648		50		—		59,926	
Tax at the statutory tax rates	23,293	35.0	(1,864)	20.0	662	25.0	8	16.5	90	—	22,189	37.0
Adjustments in respect of current tax of previous years	594	0.9	—	—	—	—	—	—	—	—	594	1.0
Expenses not deductible for tax	12,865	19.3	11	(0.1)	586	22.1	13	26.0	—	—	13,475	22.5
Super deduction on research and development costs	(1,278)	(1.9)	(286)	3.1	—	—	—	—	—	—	(1,564)	(2.6)
Tax charges for specific provinces or enacted by local authority	1,845	2.8	—	—	—	—	—	—	71	—	1,916	3.2
Tax losses not recognized	—	—	2,421	(26.0)	—	—	—	—	—	—	2,421	4.0
Tax expense/(credit) at the Euro-Pro Group's effective tax rate	37,319	56.1	282	(3.0)	1,248	47.1	21	42.5	161	—	39,031	65.1

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

9. INCOME TAX—continued

For the period ended September 28, 2017	United States		United Kingdom		Mainland China		Hong Kong		Others		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit/(loss) before tax	10,470		(4,022)		3,044		35		—		9,527	
Tax at the statutory tax rates	3,665	35.0	(764)	19.0	761	25.0	6	16.5	75	—	3,743	39.3
Adjustments in respect of current tax of previous years	(8,510)	(81.3)	(341)	8.5	(278)	(9.1)	—	—	—	—	(9,129)	(95.8)
Expenses not deductible for tax	3,567	34.1	26	(0.6)	—	—	1	2.9	—	—	3,594	37.7
Super deduction on research and development costs	(749)	(7.2)	—	—	—	—	—	—	—	—	(749)	(7.9)
Tax charges for specific provinces or enacted by local authority	373	3.6	—	—	—	—	—	—	60	—	433	4.5
Tax losses not recognized	—	—	1,045	(26.0)	—	—	—	—	—	—	1,045	11.0
Tax expense/(credit) at the Euro-Pro Group's effective tax rate	(1,654)	(15.8)	(34)	0.9	483	15.9	7	19.4	135	—	(1,063)	(11.2)

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Machinery	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2015					
Cost	7,887	35,248	77,382	—	120,517
Accumulated depreciation	(3,077)	(20,623)	(36,966)	—	(60,666)
Net carrying amount	4,810	14,625	40,416	—	59,851
At April 1, 2015, net of accumulated depreciation	4,810	14,625	40,416	—	59,851
Additions	4,123	10,679	28,644	—	43,446
Disposals	—	—	(6,070)	—	(6,070)
Depreciation	(1,508)	(9,877)	(21,064)	—	(32,449)
At March 31, 2016, net of accumulated depreciation	7,425	15,427	41,926	—	64,778
At March 31, 2016					
Cost	10,400	34,490	81,158	—	126,048
Accumulated depreciation	(2,975)	(19,063)	(39,232)	—	(61,270)
Net carrying amount	7,425	15,427	41,926	—	64,778

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

10. PROPERTY, PLANT AND EQUIPMENT—continued

	Leasehold improvements	Furniture and fixtures	Machinery	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2016					
Cost	10,400	34,490	81,158	—	126,048
Accumulated depreciation	(2,975)	(19,063)	(39,232)	—	(61,270)
Net carrying amount	7,425	15,427	41,926	—	64,778
At April 1, 2016, net of accumulated depreciation	7,425	15,427	41,926	—	64,778
Additions	3,057	10,176	28,026	3,868	45,127
Depreciation	(3,321)	(11,464)	(24,555)	—	(39,340)
Disposals	—	(830)	—	—	(830)
At March 31, 2017, net of accumulated depreciation	7,161	13,309	45,397	3,868	69,735
At March 31, 2017					
Cost	13,457	37,170	106,469	3,868	160,964
Accumulated depreciation	(6,296)	(23,861)	(61,072)	—	(91,229)
Net carrying amount	7,161	13,309	45,397	3,868	69,735

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

10. PROPERTY, PLANT AND EQUIPMENT—continued

	Leasehold improvements	Furniture and fixtures	Machinery	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2017					
Cost	13,457	37,170	106,469	3,868	160,964
Accumulated depreciation	(6,296)	(23,861)	(61,072)	—	(91,229)
Net carrying amount	7,161	13,309	45,397	3,868	69,735
At April 1, 2017, net of accumulated depreciation	7,161	13,309	45,397	3,868	69,735
Additions	776	16,785	9,655	3,568	30,784
Depreciation	(960)	(12,293)	(9,367)	—	(22,620)
Distribution to the parent company	—	—	(1,144)	—	(1,144)
At September 28, 2017, net of accumulated depreciation	6,977	17,801	44,541	7,436	76,755
At September 28, 2017					
Cost	14,233	53,954	114,980	7,436	190,603
Accumulated depreciation	(7,256)	(36,153)	(70,439)	—	(113,848)
Net carrying amount	6,977	17,801	44,541	7,436	76,755

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's property, plant and equipment with a net carrying amount of US$64,778,000, US$69,735,000, and US$76,755,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The movements of right-of-use assets during each period are as follows:

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Cost of right-of-use assets:			
At the beginning of the year/period	27,495	31,143	31,329
Additions	3,648	186	59,692
At the end of the year/period	31,143	31,329	91,021
Accumulated depreciation:			
At the beginning of the year/period	—	(7,486)	(15,282)
Depreciation provided during the year/period	(7,486)	(7,796)	(4,858)
At the end of the year/period	(7,486)	(15,282)	(20,140)
Net carrying amount:			
At the end of the year/period	23,657	16,047	70,881

The movements of lease liabilities during each period are as follows:

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Lease liabilities:			
At the beginning of the year/period	29,726	33,374	33,560
Additions	3,648	186	59,692
At the end of the year/period	33,374	33,560	93,252
Accumulated payment:			
At the beginning of the the year/period	—	(7,447)	(15,908)
Interest expense during the year/period	456	140	772
Payment during the year/period	(7,903)	(8,601)	(3,744)
At the end of the year/period	(7,447)	(15,908)	(18,880)
Net carrying amount:			
At the end of the year/period	25,927	17,652	74,372
Analyzed into:			
Within one year	8,382	6,100	7,645
In the second year	6,002	5,989	9,845
In the third to fifth years, inclusive	11,222	5,501	15,650
Beyond five years	321	62	41,232
At the end of the year/period	25,927	17,652	74,372

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

12. OTHER INTANGIBLE ASSETS

	Capitalized development costs
	US$'000
March 31, 2016	
Cost at April 1, 2015, net of accumulated amortization	—
Additions	938
At March 31, 2016	938
At March 31, 2016:	
Cost	938
Accumulated amortization	—
Net carrying amount	938

	Capitalized development costs
	US$'000
March 31, 2017	
April 1, 2016:	
Cost	938
Accumulated amortization	—
Net carrying amount	938
Cost at April 1, 2016, net of accumulated amortization	938
Additions	1,331
At March 31, 2017	2,269
At March 31, 2017:	
Cost	2,269
Accumulated amortization	—
Net carrying amount	2,269

	Capitalized development costs
	US$'000
September 28, 2017	
At April 1, 2017:	
Cost	2,269
Accumulated amortization	—
Net carrying amount	2,269
Cost at April 1, 2017, net of accumulated amortization	2,269
Additions	2,860
At September 28, 2017	5,129
At September 28, 2017:	
Cost	5,129
Accumulated amortization	—
Net carrying amount	5,129

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

12. OTHER INTANGIBLE ASSETS—continued

Impairment testing of capitalized development costs not yet available for use

The Euro-Pro Group performed impairment testing of capitalized development costs not yet available for use annually and whenever there is an impairment indicator.

The recoverable amount of the capitalized development costs not yet available for use has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management as at March 31, 2017. The discount rate applied to the cash flow projections is 17.5%-20.5%.

Assumptions were used in the value in use calculation of the capitalized development costs not yet available for use. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of the capitalized development costs not yet available for use:

Revenue growth—The bases used to determine the future earnings potential are historical sales and average expected growth rates of products with similar features and life cycle in the markets.

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved by products with similar features and life cycle in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate—The discount rate used is before tax and reflects specific risks relating to assets.

Expenses—The expenses reflect past experience and management's commitment to maintain the operating expenses to an acceptable level.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment testing, the estimated recoverable amount of the capitalized development costs not yet available for use exceeded the carrying amount by US$10,979,000 as at March 31, 2017.

Sensitivity to changes in assumptions

The Company has performed the sensitivity analysis on key assumptions used in the impairment testing. Had the estimated key assumption, discount rate been increased by 0.5%, from 17.5%-20.5% to 18.0%-21.0%, the headroom would be decreased by US$125,000.

With regards to the assessment of the value in use of the capitalized development costs not yet available for use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the capitalized development costs not yet available for use to exceed the recoverable amount.

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's other intangible assets with a carrying amount of US$938,000, US$2,269,000 and US$5,129,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

13. DEFERRED TAX

The movements in deferred tax assets are as follows:

Deferred tax assets

	Depreciation allowance in excess of related depreciation	Accrued expenses and reserves	Tax benefits from restructuring	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2015	6,155	15,990	20,218	941	43,304
Deferred tax charged to profit or loss during the year (note III 9)	750	1,275	(5,798)	1,049	(2,724)
Deferred tax assets at March 31, 2016	6,905	17,265	14,420	1,990	40,580

	Depreciation allowance in excess of related depreciation	Accrued expenses and reserves	Tax benefits from restructuring	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2016	6,905	17,265	14,420	1,990	40,580
Deferred tax charged to profit or loss during the year (note III 9)	6,243	(3,872)	(4,714)	(325)	(2,668)
Deferred tax assets at March 31, 2017	13,148	13,393	9,706	1,665	37,912

	Depreciation allowance in excess of related depreciation	Accrued expenses and reserves	Tax benefits from restructuring	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2017	13,148	13,393	9,706	1,665	37,912
Deferred tax charged to profit or loss during the period (note III 9)	(738)	4,951	(3,129)	(836)	248
Deferred tax assets at September 28, 2017	12,410	18,344	6,577	829	38,160

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognized tax losses was nil, US$12,105,000 and US$17,605,000 as at March 31, 2016, March 31, 2017 and September 28, 2017, respectively.

At March 31, 2016, March 31, 2017 and September 28, 2017, there was no significant unrecognized deferred tax liability for taxes that would be payable on the unremitted earnings of the Euro-Pro Group's subsidiaries as the Euro-Pro Group has no liability to additional tax should such amounts be remitted due to the availability of double taxation relief.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

14. OTHER NON-CURRENT ASSETS

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Long-term portion of insurance receivable	—	3,909	3,570
Rental deposits	768	1,514	1,113
	768	5,423	4,683

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's other non-current assets with a carrying amount of US$768,000, US$5,423,000 and US$4,683,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

15. INVENTORIES

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Finished goods	164,894	174,120	230,257
Less: Impairment	(4,831)	(2,130)	(1,618)
	160,063	171,990	228,639

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's inventories with a carrying amount of US$160,063,000, US$171,990,000 and US$228,639,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

The movements in provision for impairment of inventories are as follows:

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
At beginning of the year/period	5,372	4,831	2,130
Reversal of provision for impairment losses, net	(541)	(2,701)	(512)
At the end of the year/period	4,831	2,130	1,618

16. TRADE RECEIVABLES

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Trade receivables	233,962	235,131	302,860
Impairment	(646)	(918)	(409)
	233,316	234,213	302,451

The Euro-Pro Group normally allows a credit period of 1 to 2 months to customers. The Euro-Pro Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Euro-Pro Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

16. TRADE RECEIVABLES—continued

Trade receivables are non-interest-bearing. They are stated net of provisions. The Euro-Pro Group is insured, subject to certain conditions and limitations, against credit losses for the majority of its customers.

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's trade receivables with a carrying amount of US$233,316,000, US$234,213,000 and US$302,451,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

An aging analysis of the trade receivables as at the end of each period, based on the invoice date and net of provisions, are as follows:

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Current	190,313	181,043	255,114
Less than 1 month	33,813	32,057	27,827
1 to 2 months	3,746	3,832	2,044
Over 2 months	5,444	17,281	17,466
	233,316	234,213	302,451

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

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
At beginning of the year/period	1,108	646	918
Provision for impairment losses, net	4,104	4,129	874
Amount written off as uncollectible	(4,566)	(3,857)	(1,383)
At the end of the year/period	646	918	409

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Right of return assets	—	—	2,038
Prepayments	8,488	11,921	6,253
Loans to directors	—	10,237	10,237
Deposits and other receivables	134	300	1,409
	8,622	22,458	19,937

The loans to directors were given by Euro-Pro for the purpose of enabling the directors to acquire shares of Euro-Pro, as further detailed in note III 25(b).

Impairment of prepayments, other receivables and other assets

As at March 31, 2016, March 31, 2017 and September 28, 2017, none of the above assets was either past due or impaired and there was no history of default.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS—continued

Impairment of prepayments, other receivables and other assets—continued

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's prepayments, other receivables and other assets with a carrying amount of US$8,622,000, US$22,458,000 and US$19,937,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

18. CASH AND CASH EQUIVALENTS

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Cash and bank balances	17,661	5,590	16,401

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

At March 31, 2016, March 31, 2017 and September 28, 2017, the Euro-Pro Group's cash and bank balances with a carrying amount of US$17,661,000, US$5,590,000 and US$16,401,000, respectively, were pledged as security for the Euro-Pro Group's interest-bearing bank borrowings, as further detailed in note III 21.

19. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each period, based on the invoice date, are as follows:

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Within 1 month	32,360	44,498	101,552
1 to 2 months	7,036	11,923	55,366
2 to 3 months	363	487	4,552
Over 3 months	261	268	193
	40,020	57,176	161,663

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

20. OTHER PAYABLES AND ACCRUALS

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Contract liabilities	557	584	560
Provisions(a)	3,976	5,289	3,741
Refund liabilities	56,147	52,057	51,429
Accruals	112,376	91,352	93,288
	173,056	149,282	149,018

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

20. OTHER PAYABLES AND ACCRUALS—continued

(a) The movements in provisions are as follows:

	Warranties
	US$'000
At April 1, 2015	2,475
Additional provision	3,976
Amounts utilized during the year	(2,475)
At March 31, 2016	3,976
Portion classified as current liabilities	(3,976)
Non-current portion	—

	Warranties
	US$'000
At April 1, 2016	3,976
Additional provision	10,490
Amounts utilized during the year	(9,177)
At March 31, 2017	5,289
Portion classified as current liabilities	(5,289)
Non-current portion	—

	Warranties
	US$'000
At April 1, 2017	5,289
Additional provision	2,212
Amounts utilized during the period	(3,760)
At September 28, 2017	3,741
Portion classified as current liabilities	(3,741)
Non-current portion	—

The Euro-Pro Group provides standard warranties of one to seven years to its customers. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and is revised where appropriate.

21. INTEREST-BEARING BANK BORROWINGS

	Interest rate	Maturity	March 31, 2016	March 31, 2017	September 28, 2017
	%		US$'000	US$'000	US$'000
Current					
Bank loans—secured	6.00+LIBOR	2017	3,784	—	—
Non-current					
Bank loans—secured	6.00+LIBOR	2020	45,903	—	—
Bank loans—secured	1.25-1.75+LIBOR	2022	207,415	252,800	284,526
			253,318	252,800	284,526
			257,102	252,800	284,526

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

21. INTEREST-BEARING BANK BORROWINGS—continued

(a) Certain of the bank loans are secured by:

(i) The pledge of equity interests in certain subsidiaries of Euro-Pro:

Issuer	Percentage of equity interests
Euro-Pro HoldCo, LLC	100%
EP Midco LLC	100%
SharkNinja Operating LLC	100%
Euro-Pro International Holding Company	65%
SharkNinja Sales Company	100%
SharkNinja Management LLC	100%

(ii) The security interest of substantially all assets of certain subsidiaries, including all subsidiaries organized in US jurisdiction.

(iii) A corporate guarantee provided by Euro-Pro and certain subsidiaries of Euro-Pro.

(b) All the bank loans are denominated in United States dollars.

22. OTHER NON-CURRENT LIABILITIES

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Contract liabilities	1,607	1,416	1,315
Incurred but not reported general product liability	—	5,112	5,108
Uncertain tax positions	12,048	8,154	6,764
	13,655	14,682	13,187

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the period from April 1 to September 28, 2017, Euro-Pro distributed US$1,144,000 of property, plant and equipment to its parent company.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS—continued

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank borrowings	Lease liabilities
	US$'000	US$'000
At April 1, 2015	146,370	29,726
Changes from financing cash flows	110,176	(7,903)
Addition of lease liabilities	—	3,648
Interest expense	556	456
At March 31, 2016	257,102	25,927
At April 1, 2016	257,102	25,927
Changes from financing cash flows	(6,250)	(8,601)
Addition of lease liabilities	—	186
Interest expense	1,948	140
At March 31, 2017	252,800	17,652
At April 1, 2017	252,800	17,652
Changes from financing cash flows	31,384	(3,744)
Addition of lease liabilities	—	59,692
Interest expense	342	772
At September 28, 2017	284,526	74,372

24. COMMITMENTS

The Euro-Pro Group had the following purchase commitments at the end of each period:

	March 31, 2016	March 31, 2017	September 28, 2017
	US$'000	US$'000	US$'000
Contracted, but not provided for:			
Advertising commitment	—	2,875	2,583

25. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the Pre-acquisition Financial Information, the following significant transactions were carried out between the Euro-Pro Group and its related parties during the period/year ended March 31, 2016, March 31, 2017 and September 28, 2017. In the opinion of the directors of the Euro-Pro Group, the related party transactions were carried out in the normal course of business and at terms negotiated between the Euro-Pro Group and the respective related parties.

(a) Post-retirement benefits

On September 8, 2010, the board of managers approved a post-retirement benefit program for a former employee of Euro-Pro commencing October 1, 2010. The agreement was subsequently amended on June 1, 2013 to increase the post-retirement benefit of the US$289,000 annually, indexed by inflation, plus US$25,000 annually to cover medical expenses. Euro-Pro records the payments of post-retirement benefits as a period expenses and has not accrued for the estimated lifetime payments post the end of each period as Euro-Pro is unable to make a reliable estimate of future payments.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

25. RELATED PARTY TRANSACTIONS—continued

(b) Loans receivable

On January 11, 2017, Euro-Pro loaned US$10,237,000 to officers in order for the officers to purchase matured units from a former unit holder in the form of recourse notes. The notes mature in January 2022 and 100% of principal is due upon maturity. The notes can be repaid at any time without penalty and payment on the notes will be accelerated upon the sale of substantially all of the equity or assets of Euro-Pro. The notes have been recorded as prepayments, other receivables and other assets in the consolidated statement of financial position.

The loans receivable bear interest at the applicable federal rate for the short-term obligations (with annual interest payments) prescribed in Section 1274(d) of the Internal Revenue Code of 1986, as amended (or any successor provision with similar applicability), as in effect from time to time.

(c) Key management compensation

Compensation for key management other than those for directors as disclosed in note III 8 are set out below:

	For the year ended March 31, 2016	For the year ended March 31, 2017	For the period from April 1 to September 28, 2017
	US$'000	US$'000	US$'000
Salaries, allowances and benefits	1,481	1,526	780
Performance-related bonuses	45,762	51,181	41,659
Pension scheme contributions	1,988	2,075	1,121
Total	49,231	54,782	43,560

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at March 31, 2016, March 31, 2017 and September 28, 2017 are as follows:

March 31, 2016

Financial assets

	Financial assets at amortized cost
	US$'000
Trade receivables	233,316
Financial assets included in prepayments, other receivables and other assets	134
Cash and cash equivalents	17,661
Other non-current assets including insurance receivables and deposits	768
	251,879

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

26. FINANCIAL INSTRUMENTS BY CATEGORY—continued

March 31, 2016—continued

Financial liabilities

	Financial liabilities at amortized cost
	US$'000
Trade payables	40,020
Interest-bearing bank borrowings	257,102
	297,122

March 31, 2017

Financial assets

	Financial assets at amortized cost
	US$'000
Trade receivables	234,213
Financial assets included in prepayments, other receivables and other assets	10,537
Cash and cash equivalents	5,590
Other non-current assets including insurance receivables and deposits	1,514
	251,854

Financial liabilities

	Financial liabilities at amortized cost
	US$'000
Trade payables	57,176
Interest-bearing bank borrowings	252,800
	309,976

September 28, 2017

Financial assets

	Financial assets at amortized cost
	US$'000
Trade receivables	302,451
Financial assets included in prepayments, other receivables and other assets	11,646
Cash and cash equivalents	16,401
Other non-current assets including insurance receivables and deposits	1,113
	331,611

Financial liabilities

	Financial liabilities at amortized cost
	US$'000
Trade payables	161,663
Interest-bearing bank borrowings	284,526
	446,189

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

27. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Euro-Pro Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts March 31, 2016	Fair values March 31, 2016
	US$'000	US$'000
Financial assets		
Financial assets included in other non-current assets	768	768
Financial liabilities		
Interest-bearing bank borrowings	253,318	253,318

	Carrying amounts March 31, 2017	Fair values March 31, 2017
	US$'000	US$'000
Financial assets		
Financial assets included in other non-current assets	1,514	1,514
Financial liabilities		
Interest-bearing bank borrowings	252,800	252,800

	Carrying amounts September 28, 2017	Fair values September 28, 2017
	US$'000	US$'000
Financial assets		
Financial assets included in other non-current assets	1,113	1,113
Financial liabilities		
Interest-bearing bank borrowings	284,526	284,526

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals as well as current portions of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: the fair values of financial assets included in other non-current assets and non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Euro-Pro Group's own non-performance risk as at March 31, 2016, March 31, 2017 and September 28, 2017 were assessed to be insignificant.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Euro-Pro Group's principal financial instruments comprise interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to finance the Euro-Pro

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Group's operations. The Euro-Pro Group has various other financial assets and liabilities such as trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial assets included in other non-current assets which arise directly from its operations.

The main risks arising from the Euro-Pro Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Euro-Pro Group's exposure to interest rate risk relates principally to the Euro-Pro Group's short term and long term interest-bearing bank loans which are based on the London Inter-Bank Offered Rate. The Euro-Pro Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Euro-Pro Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at March 31, 2016, March 31, 2017 and September 28, 2017, if the interest rates on borrowings had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit after tax for the period would have been decreased/increased by US$2,027,000, US$2,550,000 and US$2,687,000 as a result of higher/lower interest expenses on bank borrowings.

Foreign currency risk

The Euro-Pro Group has transactional currency exposures. These exposures mainly arise from sales or purchases by the Euro-Pro Group's operating units in Europe, Mainland China and Japan in currencies other than the Euro-Pro Group's functional currency. In addition, the Euro-Pro Group's certain revenue, cost and expenses of subsidiaries of the Euro-Pro Group are denominated in GBP, RMB and JPY.

Credit risk

The Euro-Pro Group is exposed to credit risk in relation to its trade receivables and other receivables and cash and cash equivalents.

All the Euro-Pro Group's cash and cash equivalents are held in major financial institutions located in the United States and Europe, which management believes are of high credit quality. The Euro-Pro Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

The Euro-Pro Group trades only with recognized and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Euro-Pro Group as the customer bases of the Euro-Pro Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis and the Euro-Pro Group's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in notes III 16 and III 17.

III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION—continued

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Liquidity risk

The Euro-Pro Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and project cash flows from operations.

The Euro-Pro Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans.

The maturity profile of the Euro-Pro Group's financial liabilities as at the end of each period, based on the contractual undiscounted payments, is as follows:

March 31, 2016

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	2,442	7,272	50,568	218,731	279,013
Trade payables	39,759	261	—	—	40,020
Total	42,201	7,533	50,568	218,731	319,033

March 31, 2017

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	1,930	5,789	266,203	—	273,922
Trade payables	56,908	268	—	—	57,176
Total	58,838	6,057	266,203	—	331,098

September 28, 2017

	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	2,114	5,600	296,180	—	303,894
Trade payables	161,470	193	—	—	161,663
Total	163,584	5,793	296,180	—	465,557

Capital management

The primary objective of the Euro-Pro Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Euro-Pro Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Euro-Pro Group may adjust the dividends payment to shareholders. No changes were made in the objectives, policies or processes for managing capital during each period.

The information set out in this Appendix does not form part of the Accountants' Report prepared by our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2019 as if the Global Offering had taken place on that date. The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at June 30, 2019 or any future dates.

	Consolidated net tangible liabilities attributable to owners of the Company as of June 30, 2019[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company[3]	Unaudited pro forma adjusted consolidated net tangible liabilities per share[4][5]	
	US$'000	US$'000	US$'000	US$	HK$
Based on the Offer Price of HK$5.20 per Offer Share	(1,252,840)	303,113	(949,727)	(0.29)	(2.23)

Notes:

(1) The consolidated net tangible liabilities attributable to owners of the Company as at June 30, 2019 are based on the consolidated equity attributable to owners of the Company in the amount of US$205.6 million, adjusted intangible assets in the amount of US$1,458.5 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$5.20 per Offer Share, after deduction of the estimated underwriting fees and other listing expenses payable by the Company, taking no account of any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible liabilities do not take into account the operational results or other transaction of the Group subsequent to June 30, 2019.

(4) The unaudited pro forma adjusted net tangible liabilities per share is arrived at after the adjustment referred to in note (2) above and on the basis that 3,332,198,177 shares were in issue assuming that the Global Offering had been completed on June 30, 2019 and that Over-allotment Option for the Global Offering is not exercised.

(5) For the purpose of this unaudited pro forma adjusted net tangible liabilities, the amounts stated in US dollars are converted into Hong Kong dollars at a rate of US$1.00 to HK$7.8281. No representation is made that US dollars amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA INFORMATION

The following is the text of a report received from our independent accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this document, in respect of unaudited pro forma financial information of the Group.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the Directors of JS Global Lifestyle Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of JS Global Lifestyle Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2019, and related notes as set out on page II-1 of the Company's prospectus dated December 9, 2019 (the "Prospectus") issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II-A to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at June 30, 2019 as if the transaction had taken place at June 30, 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended June 30, 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
December 9, 2019

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on October 9, 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on October 9, 2019 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into 5,000,000,000 shares of US$0.00001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the

provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has

any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general

meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided

for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution—majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavor to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be

sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in

any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act

of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 26, 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the

shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of US corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on July 26, 2018 as an exempted company with limited liability. Our registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

Our place of business in Hong Kong is at 21/F, 238 Des Voeux Road Central, Sheung Wan, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong on May 28, 2019. Mr. Lee Leong Yin has been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Sunlight Tower, No. 248, Queen's Road East, Wanchai, Hong Kong.

As at the date of this prospectus, our Company's head office was located at 21/F, 238 Des Voeux Road Central, Sheung Wan, Hong Kong.

2. Changes in Share Capital

On July 26, 2018, our Company was incorporated with an authorized share capital of US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this prospectus:

(a) On July 26, 2018, our Company issued one Share with a par value of US$0.0001 to Mapcal Limited as the initial subscriber at par, and Mapcal Limited subsequently transferred the share to JS Holding on the same day;

(b) On April 10, 2019, our Company issued 99,613,965.34 Shares with a par value of US$0.0001 to JS Holding in exchange for US$9,961.40;

(c) On April 16, 2019, our Company issued 36,830,424.53 Shares with a par value of US$0.0001 to Mr. Lee Puay Khng in exchange for his 100% equity interests in Bilting, and Mr. Lee Puay Khng subsequently transferred the 36,830,424.53 Shares to Sol Omnibus SPC on April 18, 2019 in exchange for the subscription of 368,304.24536 participating shares of Sol Omnibus SPC. As a result, Bilting became a wholly-owned subsidiary of our Company;

(d) On June 19, 2019, our Company issued 60,743,866.83 Shares with a par value of US$0.0001 to JS Holding in exchange for US$470,000,000;

(e) On June 24, 2019, our Company issued 29,600,413.96 Shares with a par value of US$0.0001 to Easy Home in exchange for its 30% equity interests in GA1. As a result, GA1 became a wholly-owned subsidiary of our Company;

(f) On June 24, 2019, our Company issued 6,555,616.63 Shares with a par value of US$0.0001 to Comfort Home, and as the consideration, Comfort Home transferred 2,325.44 ordinary shares of Compass it held to the Company;

(g) On June 24, 2019, our Company issued an aggregate of 35,730,688.99 ordinary shares with a par value of US$0.0001 to the SN Investors, and as the consideration, SN Investors transferred their respective equity interests in Compass to the Company. As a result, Compass became an indirect wholly-owned subsidiary of our Company;

(h) On October 9, 2019, our Company conducted a share subdivision such that every share of US$0.0001 was subdivided into 10 shares of US$0.00001;

(i) Immediately after the subdivision of Shares referred to in the preceding paragraph, on October 9, 2019, our Company repurchased a total of 4.8 Shares from shareholders of the Company and canceled such 4.8 Shares for the purpose of eliminating fractional shares, following which, the issued share capital of our Company was reduced from US$26,907.497728 divided into 2,690,749,772.80 Shares to US$26,907.49768 divided into 2,690,749,768 Shares;

(j) On October 25, 2019, our Company issued and allotted 141,618,409 ordinary shares with a par value of US$0.00001 to the RSU Holding Entities.

Save as disclosed below in "—4. Resolutions of the Shareholders of Our Company dated October 9, 2019" below and in the section headed "History, Reorganization and Corporate Structure" of this prospectus, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report as set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

(a) JY-SN

(1) On April 23, 2018, JY-SN issued one share to Mr. Wang Xuning, and Mr. Wang Xuning subsequently transferred the one share to the Company on August 10, 2018; and

(2) On June 19, 2019, JY-SN issued one share to the Company.

(b) Sunshine Rise

On April 26, 2018, Sunshine Rise issued one share with a par value of US$1.00 to Maples Fiduciary Services (Hong Kong) Limited, and Maples Fiduciary Services (Hong Kong) Limited subsequently transferred the one share to JY-SN on the same date.

(c) Shanghai Lihong

(1) On November 22, 2018, Easy Appliance (Hong Kong) made capital contributions of RMB7.51 million to Shanghai Lihong, among which RMB2.75 million were counted as registered capital, to acquire 5% of the equity interest in Shanghai Lihong. The registered capital of Shanghai Lihong was increased from RMB52.22 million to RMB54.97 million, and Shanghai Lihong was converted from a PRC domestic company to a sino-foreign joint venture. The capital contribution was completed on April 28, 2019.

(2) On December 4, 2018, Sunshine Rise made capital contributions of RMB728.48 million to Shanghai Lihong, among which RMB266.46 million were counted as registered capital. As a result, the registered capital of Shanghai Lihong was increased from RMB54.97 million to RMB321.44 million. The capital contribution was completed on June 4, 2019.

(d) Joyoung

(1) On January 19, 2018, the issued shares of Joyoung were decreased from 767.523 million shares to 767.511 million shares with a par value of RMB1.00 as a result of the repurchase and cancelation of the locked restricted shares;

(2) On June 11, 2019, the issued shares of Joyoung were decreased from 767.511 million shares to 767.371 million shares with a par value of RMB1.00 as a result of the repurchase and cancelation of the locked restricted shares;

(e) Compass

(1) In September 2019, 214.63 PI Shares were vested to certain management and employees of Compass and its subsidiaries (collectively the "Vested PI Shares"). Compass exercised its right to repurchase 20.19 Vested PI Shares from the two holders thereof in connection with the termination of employment with them and the repurchase has completed in September 2019. Compass terminated the Management Equity Incentive Plan in October 2019 and the PI Shares awarded but not vested (i.e. 2,731.37 PI Shares) have become invalidate.

(f) SharkNinja Venus Technology Company Limited

On September 23, SharkNinja Venus Technology Company Limited issued one share with a par value of HK$1.00 to Maples Fiduciary Services (Hong Kong) Limited, and Maples Fiduciary Services (Hong Kong) Limited subsequently transferred the one share to SharkNinja (Hong Kong) Company Limited.

4. Resolutions of the Shareholders of Our Company dated October 9, 2019

On October 9, 2019, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the Global Offering—Conditions of the Global Offering" and pursuant to the terms set out therein:

(a) our Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Global Offering;

(b) the Global Offering and the grant of the Over-allotment Option were approved and executive Directors of our Company from time to time or (if applicable), any of their duly authorized attorney (the "Authorized Signatory") were authorized to allot and issue the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;

(c) the Global Offering was approved and any Authorized Signatory would be authorized to implement the Global Offering;

(d) every Share of US$0.0001 of the Company was subdivided into 10 Shares of US$0.00001 each;

(e) subject to and immediately after the subdivision of Shares as referred to in paragraph (d) above, the repurchase of 4.8 Shares of a par value of US$0.00001 each of our Company was approved;

(f) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; or (iii) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the "Relevant Period"); and

(g) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on October 9, 2019, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option, with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Law, any par value of shares payable on purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Law.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half- year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the

earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from "a core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of our Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 3,332,198,177 Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 333,219,818 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than the highest of (i) 15% of the Company's total issued share capital; (ii) such percentage of Shares held by the public after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a share subscription agreement dated June 14, 2019 entered into between Easy Home Limited and the Company, pursuant to which, among others, (I) the Company agreed to issue and allot to Easy Home Limited and Comfort Home Limited, and Easy Home Limited agreed to subscribe (and cause Comfort Home Limited to subscribe) 36,156,030.59 ordinary shares of par value USD0.0001 each in the Company in exchange for the transfer and assignment of (i) sixty (60) ordinary shares in GA1 from Easy Home Limited to the Company; and (ii) 2,325.44 ordinary shares in Compass from Comfort Home Limited to the Company; and (II) Easy Home Limited agreed to sell to the Company the entire equity interest of Easy Appliance Limited for a cash consideration of US$1,171,059.36;

(b) a share subscription agreement dated June 14, 2019 entered into between Casa Brima LLC and the Company, pursuant to which Casa Brima LLC agreed to subscribe, and the Company agreed to issue and allot 20,901,411.60 ordinary shares of par value USD0.0001 each in the Company in exchange for the transfer and assignment of 7,414.25 ordinary shares in Compass from Casa Brima LLC to the Company;

(c) a share subscription agreement dated June 14, 2019 entered into between The SMCSB Trust and the Company, pursuant to which The SMCSB Trust agreed to subscribe, and the Company agreed to issue and allot 6,555,616.63 ordinary shares of par value USD0.0001 each in the Company in exchange for the transfer and assignment of 2,325.44 ordinary shares in Compass from The SMCSB Trust to the Company;

(d) a share subscription agreement dated June 14, 2019 entered into between BMS Ventures LLC and the Company, pursuant to which BMS Ventures LLC agreed to subscribe, and the Company agreed to issue and allot 6,490,482.79 ordinary shares of par value USD0.0001 each in the Company in exchange for the transfer and assignment of 2,302.34 ordinary shares in Compass from BMS Ventures LLC to the Company;

(e) a share subscription agreement dated June 14, 2019 entered into between Barrocas Family 2017 Children's Trust and the Company, pursuant to which Barrocas Family 2017 Children's Trust agreed to subscribe, and the Company agreed to issue and allot 809,712.18 ordinary shares of par value USD0.0001 each in the Company in exchange for the transfer and assignment of 287.22 ordinary shares in Compass from Barrocas Family 2017 Children's Trust to the Company;

(f) a share subscription agreement dated June 14, 2019 entered into between PR2 LLC and the Company, pursuant to which PR2 LLC agreed to subscribe, and the Company agreed to issue and allot, 807,441.63 ordinary shares of par value USD0.0001 each in the Company in exchange for the transfer and assignment of 286.42 ordinary shares in Compass from PR2 LLC to the Company;

(g) a share subscription agreement dated June 14, 2019 entered into between SN Aggregator LLC and the Company, pursuant to which SN Aggregator LLC agreed to subscribe, and the Company agreed to issue and allot 166,024.16 ordinary shares of par value USD0.0001

each in the Company in exchange for the transfer and assignment of 58.89 ordinary shares in Compass from SN Aggregator LLC to the Company;

(h) a shareholders agreement dated June 24, 2019 entered into between the Company, Hezhou Limited Partnership (now known as JS Holding Limited Partnership), Easy Home Limited, Comfort Home Limited, Sol Omnibus SPC, Casa Brima LLC, The SMCSB Trust, BMS Ventures LLC, Barrocas Family 2017 Children's Trust, PR2 LLC, SN Aggregator LLC and Compass Cayman SPV, Ltd., relating to, among others, the beneficial rights for relevant shareholders, the corporate governance of the Company, and limitation on transfer of shares of the Company;

(i) the cornerstone investment agreement dated December 2, 2019 entered into among the Company, CM Kinder Education II Limited, Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited, ICBC International Capital Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(j) the cornerstone investment agreement dated December 4, 2019 entered into among the Company, Red Avenue Investment Group Limited, Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited, ICBC International Capital Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(k) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

(i) Registered Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date
1.	Joyoung 九阳	PRC	Joyoung	7	23688230	April 6, 2028
2.	Joyoung	PRC	Joyoung	7	20874405	September 27, 2027
				11	20899782	September 27, 2027
3.	九阳	PRC	Joyoung	7	3407087	August 20, 2024
				11	3407086	September 6, 2024
4.	Joyoung 九阳	PRC	Joyoung	7	5205567	April 6, 2029
				11	5205566	January 6, 2024
5.	JOYOUNG	International	Joyoung	7, 11	887959	March 3, 2026
6.	九阳	Hong Kong	Joyoung	7, 11	300585667AA	February 21, 2026
7.	JOYOUNG	Hong Kong	Joyoung	7, 11	300585676AA	February 21, 2026

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date
8.	SHARK	PRC	SharkNinja Operating LLC	07	6689108	June 20, 2020
9.	SHARK	PRC	SharkNinja Operating LLC	07	5459424	May 27, 2029 Renewal
10.	NINJA	United States	SharkNinja Operating LLC	07	4119051	March 27, 2022 Sec. 8 & 15
11.	NINJA	United States	SharkNinja Operating LLC	07	3794590	May 25, 2020 Sec. 8 & 15
12.	NINJA	United States	SharkNinja Operating LLC	11	4242279	November 13, 2022 Sec. 8 & 15
13.	SHARK	United States	SharkNinja Operating LLC	07, 09	2771850	October 7, 2023 Renewal
14.	NINJA	Canada	SharkNinja Operating LLC	07, 11	TMA835863	November 6, 2027 Renewal
15.	SHARK	Canada	SharkNinja Operating LLC	07	TMA1022576	May 27, 2034 Renewal
16.	NINJA	European Community	SharkNinja Operating LLC	07, 11	008197667	April 3, 2029 Renewal
17.	SHARK	European Community	SharkNinja Operating LLC	07, 09, 21	2718419	May 31, 2022 Renewal

(ii) Trademarks Applications Pending

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Applicant	Class	Application Number	Application Date
1.	SHARK Vacuum Cleaner (Cordless Handheld Vacuum Cleaner)	PRC	SharkNinja Operating LLC	07	33371955	September 7, 2018

(b) Copyrights

(i) Registered copyright

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

Works Copyright

No.	Copyright	Place of Registration	Registration Number	Registration Date
1.	Joyoung Logo	PRC	GZDZ 2014F00139228	January 14, 2014
2.	Virtual image of "Baby Come to Eat"	PRC	LZDZ 2015F000353	January 23, 2015
3.	Virtual image of "The scientific and technological cooperative partner of the Space Kitchen of China Aerospace"	PRC	LZDZ 2015F000352	January 23, 2015
4.	Virtual image of "onondo"	PRC	GZDZ 2015F00234206	November 4, 2015

Software Copyright

No.	Copyright	Place of Registration	Version	Registration Number	Registration Date
1.	Joyoung food nutrition searching, food intake analysis and nutrition calculation system software V1.0	PRC	V1.0	2019SR0221311	March 7, 2019
2.	Joyoung Cun Tao Tianmao Order Filling System	PRC	V1.0	2017SR700530	December 18, 2017
3.	Blender Programming Codes	United States	N/A	TX0007954991	September 3, 2014

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of registration	Patent Number	Application Date	Announcement/ Issue Date
1.	A pressure-controlled electric pressure cooker	Joyoung	PRC	2013102016391	May 27, 2013	August 10, 2016
2.	An electric pressure cooker capable of low-pressure cooking	Joyoung	PRC	2014106867528	November 25, 2014	August 17, 2016
3.	Low radiation induction cooker	Joyoung	PRC	2014107203613	December 1, 2014	October 20, 2017
4.	A soybean milk machine	Joyoung	PRC	2015102791863	May 28, 2015	February 1, 2019
5.	A low-interference food processing machine	Joyoung	PRC	2015102960289	June 2, 2015	December 5, 2017
6.	A noodle maker convenient for making gluten noodles	Joyoung	PRC	2015105549382	September 2, 2015	July 31, 2018
7.	A safe large-caliber screw squeeze juicer	Joyoung	PRC	2015107342644	November 2, 2015	July 27, 2018
8.	A power control method for food processing machine	Joyoung	PRC	2015108187294	November 23, 2015	October 20, 2017
9.	A meshless easy-to-clean juicer	Joyoung	PRC	201510927122X	December 11, 2015	October 19, 2018
10.	A cooking pot with uniform heating and cooking device thereof	Joyoung	PRC	2016100481424	January 25, 2016	December 26, 2017
11.	A cooking method of stir fryer	Joyoung	PRC	2016100703453	February 2, 2016	August 31, 2018
12.	A cup body identification method of food processing machine	Joyoung	PRC	2016101798198	March 25, 2016	July 31, 2018
13.	A soybean milk machine	Joyoung	PRC	2016104320258	June 17, 2016	February 1, 2019
14.	A food processing method of high-speed blender	Joyoung	PRC	201610437206X	June 17, 2016	October 19, 2018

No.	Patent	Patentee	Place of registration	Patent Number	Application Date	Announcement/ Issue Date
15.	A pot with retractable handle and stir fryer	Joyoung	PRC	2016200513613	January 19, 2016	August 17, 2016
16.	A dishwasher with door fastening protection mechanism	Joyoung	PRC	2016201016209	February 1, 2016	August 17, 2016
17.	An inner pot and cooking utensil with such inner pot	Joyoung	PRC	2017208550155	July 14, 2017	October 9, 2018
18.	An electric rice cooker capable of automatically washing rice	Joyoung	PRC	2017208622717	July 17, 2017	October 9, 2018
19.	A pot capable of quickly discharging steam	Joyoung	PRC	2017213726260	October 24, 2017	October 9, 2018
20.	A water purifier	Joyoung	PRC	2017216253837	November 29, 2017	August 24, 2018
21.	Radiation-proof induction cooker	Joyoung	PRC	2017217508299	December 15, 2017	August 24, 2018
22.	A water purifier	Joyoung	PRC	2018204271646	March 28, 2018	January 22, 2019
23.	A range hood with ideal oil guiding effect	Joyoung	PRC	2018205834785	April 23, 2018	January 22, 2019
24.	A range hood capable of improving air outlet effect	Joyoung	PRC	2018208274164	May 30, 2018	January 22, 2019
25.	Juicer (JYZ.V18)	Joyoung	PRC	201630005517X	January 8, 2016	August 10, 2016
26.	Soybean milk machine (Q3)	Joyoung	PRC	2016300216735	January 21, 2016	August 10, 2016
27.	Electric kettle (D05)	Joyoung	PRC	2016300721128	March 15, 2016	August 10, 2016
28.	Rice cooker (109)	Joyoung	PRC	2017302518221	June 19, 2017	December 26, 2017
29.	Food processing machine (YJ08)	Joyoung	PRC	2018300003066	January 2, 2018	August 24, 2018
30.	User interface for electric rice cooker	Joyoung	PRC	2018300870719	March 9, 2018	January 22, 2019
31.	An apparatus for making self-cooked soymilk beverages under pressure & the process thereof	Joyoung	HK	HK1175954	December 7, 2011	August 8, 2014
32.	Soybean milk machine for rapid pulping	Joyoung	Japan	2013-513537	June 9, 2011	September 4, 2015
33.	Multifunctional Soybean milk maker	Joyoung	United States	12/596,594	October 30, 2008	January 1, 2013
34.	Multifunctional Soybean milk maker	Joyoung	Japan	2010-503341	June 9, 2011	September 4, 2015
35.	Steam rice cooker	Joyoung	International	PCT/ CN2019/072107	January 17, 2019	April 17, 2019

No.	Patent	Patentee	Place of registration	Patent Number	Application Date	Announcement/ Issue Date
36.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US10219660	March 30, 2016	March 5, 2019
37.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US10219662	April 1, 2016	March 5, 2019
38.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US10149585	April 1, 2016	December 11, 2018
39.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9986880	April 11, 2016	June 5, 2018
40.	Multistage cyclone and surface cleaning apparatus having same	Omachron Intellectual Property Inc.	United States	US10271704	December 27, 2016	April 30, 2019
41.	Surface cleaning apparatus with enhanced operability	Omachron Intellectual Property Inc.	United States	US8875340	March 12, 2010	November 4, 2014
42.	Configuration of a surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US8950039	March 10, 2010	February 10, 2015
43.	Surface cleaning apparatus with different cleaning configurations	Omachron Intellectual Property Inc.	United States	US9066642	March 12, 2010	June 30, 2015
44.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9119513	March 1, 2013	September 1, 2015
45.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9392916	May 29, 2014	July 19, 2016
46.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9427122	May 29, 2014	August 30, 2016
47.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9480373	May 29, 2014	November 1, 2016
48.	Surface cleaning apparatus with different cleaning configurations	Omachron Intellectual Property Inc.	United States	US9801511	June 17, 2014	October 31, 2017

No.	Patent	Patentee	Place of registration	Patent Number	Application Date	Announcement/ Issue Date
49.	Surface cleaning apparatus with different cleaning configurations	Omachron Intellectual Property Inc.	United States	US9901228	October 10, 2014	February 27, 2018
50.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9931005	June 10, 2014	April 3, 2018
51.	Surface cleaning apparatus with different cleaning configurations	Omachron Intellectual Property Inc.	United States	US9907444	May 26, 2015	March 6, 2018
52.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9591953	June 6, 2014	March 14, 2017
53.	Surface cleaning apparatus	Omachron Intellectual Property Inc.	United States	US9226633	June 6, 2014	January 5, 2016
54.	Surface cleaning apparatus with enhanced operability	Omachron Intellectual Property Inc.	United States	US9232877	June 20, 2014	January 12, 2016
55.	Surface cleaning head with leading roller	SharkNinja Operating LLC	United States	USD837470	April 13, 2017	January 1, 2019
56.	Multi-blade food processing apparatus	SharkNinja Operating LLC	United States	US7677485	August 29, 2008	March 16, 2010
57.	Quad blade chopper	SharkNinja Operating LLC	United States	USD622095	July 29, 2009	August 24, 2010
58.	Food processor	SharkNinja Operating LLC	United States	US9149156	February 28, 2013	October 6, 2015
59.	Food processor system	SharkNinja Operating LLC	United States	US9717370	October 30, 2015	August 1, 2017
60.	Food processor	SharkNinja Operating LLC	United States	US9848738	June 4, 2014	December 26, 2017
61.	Blender system with rotatable blade assembly	SharkNinja Operating LLC	United States	US10064520	July 26, 2012	September 4, 2018
62.	Blender attachment	SharkNinja Operating LLC	United States	USD644875	February 28, 2011	September 13, 2011
63.	Blender lid	SharkNinja Operating LLC	United States	USD647359	March 4, 2011	October 25, 2011

No.	Patent	Patentee	Place of registration	Patent Number	Application Date	Announcement/ Issue Date
64.	Jar lid	SharkNinja Operating LLC	United States	USD686074	August 5, 2011	July 16, 2013
65.	Food processing apparatus and method	SharkNinja Operating LLC	United States	US9049967	August 26, 2014	June 9, 2015
66.	Food processing apparatus and method	SharkNinja Operating LLC	United States	US9380913	May 4, 2015	July 5, 2016
67.	Food processing apparatus and method	SharkNinja Operating LLC	United States	US9943190	August 26, 2014	April 17, 2018
68.	Blender	SharkNinja Operating LLC	United States	USD818308	April 10, 2017	May 22, 2018
69.	Blender base	SharkNinja Operating LLC	United States	USD696063	February 28, 2013	December 24, 2013
70.	Blender container	SharkNinja Operating LLC	United States	USD760026	February 20, 2015	June 28, 2016
71.	Method of brewing coffee	SharkNinja Operating LLC	United States	US10028615	June 17, 2014	July 24, 2018
72.	Dynamic calibration compensation for flow meter	SharkNinja Operating LLC	United States	US10156468	October 20, 2015	December 18, 2018
73.	Coffee maker	SharkNinja Operating LLC	United States	USD823035	May 16, 2016	July 17, 2018

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Applicant	Place of application	Application Number	Application Date	Announcement Date/Issue Date
1.	Surface cleaning head with leading roller	SharkNinja Operating LLC	International	WO 2017/070489	October 21, 2016	April 27, 2017
2.	Surface cleaning head with dual rotating agitators	SharkNinja Operating LLC	International	WO 2017/070492	October 21, 2016	April 27, 2017
3.	Surface cleaning head with dual rotating agitators	SharkNinja Operating LLC	United States	US 15/331045	October 21, 2016	May 11, 2017
4.	Surface cleaning head for vacuum cleaner	SharkNinja Operating LLC	United States	US 15/685456	August 24, 2017	December 7, 2017
5.	Cleaning apparatus with combing unit for removing debris from cleaning roller	SharkNinja Operating LLC	United States	US 15/492320	April 20, 2017	August 3, 2017

No.	Patent	Applicant	Place of application	Application Number	Application Date	Announcement Date/Issue Date
6.	Surface cleaning head with leading roller	SharkNinja Operating LLC	United States	US 15/768879	April 17, 2018	October 18, 2018
7.	Agitator with hair removal	SharkNinja Operating LLC	United States	US 2018/0070785	September 8, 2017	March 15, 2018
8.	Agitator with debrider and hair removal	SharkNinja Operating LLC	International	WO2018165639	March 10, 2018	September 13, 2018
9.	Cleaning apparatus with combing unit for removing debris from cleaning roller	SharkNinja Operating LLC	International	WO2018195470	April 20, 2018	October 25, 2018
10.	Hair cutting brushroll	SharkNinja Operating LLC	International	WO2018 218157	May 25, 2018	November 29, 2018
11.	Robotic cleaner	SharkNinja Operating LLC	International	WO2019/050655	August 10, 2018	March 14, 2019
12.	Robotic vacuum	SharkNinja Operating LLC	United States	US20190090705	August 16, 2018	March 28, 2019
13.	Hand-held surface cleaning device	SharkNinja Operating LLC	United States	US 2019/0090701A1	September 20, 2018	March 28, 2019
14.	Food processing apparatus and method	SharkNinja Operating LLC	United States	US20160331182	June 15, 2016	November 17, 2016
15.	Food processing apparatus and method	SharkNinja Operating LLC	International	WO2016/200891	June 8, 2016	December 15, 2016
16.	Cooking device and components thereof	SharkNinja Operating LLC	International	WO2019032876	August 9, 2018	February 14, 2019
17.	Cooking device and components thereof	SharkNinja Operating LLC	International	WO2019032878	August 9, 2018	February 14, 2019
18.	Automatic coffee maker and process for preparing a cold brewed beverage	SharkNinja Operating LLC	United States	US20190090503	September 26, 2018	March 28, 2019

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	hopekitchen.cn	Joyoung	May 4, 2023
2.	hopekitchen.com.cn	Joyoung	May 4, 2023
3.	jiuyang.cn	Joyoung	March 17, 2026
4.	jiuyang.com.cn	Joyoung	September 29, 2026
5.	jiuyang.com	Joyoung	April 8, 2024

No.	Domain Name	Registered Owner	Expiry Date
6.	jiuyangwater.cn	Joyoung	May 4, 2023
7.	jiuyangwater.com.cn	Joyoung	May 4, 2023
8.	joyoung.cn	Joyoung	March 17, 2026
9.	joyoung.com.cn	Joyoung	September 26, 2026
10.	joyoung.com	Joyoung	October 14, 2025
11.	joyounghopekitchen.cn	Joyoung	May 4, 2023
12.	joyounghopekitchen.com.cn	Joyoung	May 4, 2023
13.	joyoungwater.cn	Joyoung	March 10, 2023
14.	joyoungwater.com.cn	Joyoung	March 10, 2023
15.	joyoungwater.com	Joyoung	March 9, 2023
16.	onondo.cn	Joyoung	January 23, 2026
17.	onondo.com.cn	Joyoung	January 23, 2026
18.	onondo.com	Joyoung	September 30, 2025
19.	xiwangchufang.cn	Joyoung	May 4, 2023
20.	xiwangchufang.com.cn	Joyoung	May 4, 2023
21.	xiwangchufang.com	Joyoung	May 4, 2023
22.	xwcf.cn	Joyoung	February 7, 2023
23.	xwcf.com.cn	Joyoung	February 7, 2023
24.	ymdj.com.cn	Joyoung	April 14, 2024
25.	onecup.com.cn	Joyoung	December 10, 2024
26.	sharkclean.com.cn	SharkNinja (China) Technology Co., Ltd.	March 11, 2028
27.	ninja.com.cn	SharkNinja (China) Technology Co., Ltd.	August 26, 2020
28.	sharkninjachina.com	Suzhou SharkNinja Technology Co., Ltd.	December 23, 2022
29.	jiuhaochufang.com	Joyoung Household Appliances	January 16, 2028
30.	joyrain.cn	Joyoung Household Appliances	July 1, 2023
31.	9haochufang.com	Joyoung Household Appliances	January 16, 2028
32.	ninjakitchen.com	SharkNinja Operating LLC	December 26, 2019
33.	sharkclean.com	SharkNinja Operating LLC	October 15, 2019
34.	sharkninja.com	SharkNinja Operating LLC	November 15, 2021
35.	sharkclean.eu	DNE Holding AB (agent on behalf of Euro-Pro Europe Limited)	January 20, 2021
36.	ninjakitchen.eu	DNE Holding AB (agent on behalf of Euro-Pro Europe Limited)	April 15, 2021
37.	shark.co.jp	SharkNinja Co., Ltd.	March 31, 2020

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board until the third annual general meeting of our Company since the Listing Date (whichever is sooner). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of our Company's remuneration policy is described in section headed "Directors and Senior Management—Directors' and Senior Management's Remuneration.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors has entered into a service contract with our Company. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for three years after or until the third annual general meeting of our Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Our non-executive Directors are not entitled to receive annual salaries in their capacities as non-executive Directors under their respective service contracts.

Each of the independent non-executive Directors has entered into a service contract with our Company. The initial term for their appointment letters shall be three years from the date of their appointments or until the third annual general meeting of our Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

(a) Saved as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) During the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the aggregate amount of fees, salaries, allowances, performance-related bonuses, share award expense, pension scheme contributions and other benefits in kind we paid to our Directors were US$1,251,000, US$1,284,000, US$1,607,000 and US$875,000 respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.

(c) Under the arrangements currently in force, the aggregate amount of remuneration payable to, and benefits in kind received by our Directors for the financial year ending December 31, 2019 is expected to be approximately US$1,864,000.

(d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

(e) Saved as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

(a) Interests and short positions of our Directors or Chief Executives in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of our Directors and chief executives in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director or chief executive	Nature of interest	Numbers of securities	Approximate percentage of Interest in our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of Interest in our Company immediately after the Global Offering (assuming the Over-allotment Option is fully exercised)
Mr. Wang Xuning[1][2][3]	Interest in controlled corporations, interest held jointly with other persons	1,971,882,576	59.17%	57.87%
	Beneficial owner	45,317,890	1.36%	1.33%
Ms. Han Run[1][4]	Interest in controlled corporations, interest held jointly with other persons	1,603,578,331	48.12%	47.06%
	Beneficial owner	11,329,472	0.34%	0.33%
Ms. Huang Shuling[1]	Interest in controlled corporations, interest held jointly with other persons	1,603,578,331	48.12%	47.06%

Notes:

(1) Hezhou is the general partner exercising operational control over JS Holding, meanwhile Tong Zhou acts as its limited partner established by the Controlling Shareholders Group with almost 100% of the partnership interest. Hezhou is wholly owned by XNL, which is wholly owned by Mr. Wang Xuning. Tong Zhou is held by the investment entities of the Controlling Shareholders Group. Upon the completion of the Global Offering, JS Holding will directly hold 1,603,578,331 Shares in our Company. Therefore, each of Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling is deemed to be interested in the 1,603,578,331 Shares held by JS Holding for the purpose of Part XV of the SFO.

(2) Sol SPC is an investment entity holding company incorporated in the Cayman Islands, and STL, which is wholly owned by XNL, a wholly owned subsidiary of Mr. Wang Xuning, held 100 management shares in Sol SPC. Therefore, Mr. Wang Xuning is deemed to be interested in the 1,971,882,576 Shares held by Sol SPC for the purpose of Part XV of the SFO.

(3) Mr. Wang Xuning is interested in 45,317,890 restricted stock units granted to him under the RSU Plan entitling him to receive up to 45,317,890 Shares subject to vesting.

(4) Ms. Han Run is interested in 11,329,472 restricted stock units granted to her under the RSU Plan entitling her to receive up to 11,329,472 Shares subject to vesting.

(ii) Interest in associated corporations

Name of Director or chief executive	Nature of Interest	Associated corporation	Percentage shareholding of the associated corporations
Mr. Wang Xuning[1][2]	Beneficial owner	Shanghai Lihong	8.414%
	Interest in controlled corporations	Shanghai Lihong	0.003%
Ms. Han Run[1]	Beneficial owner	Shanghai Lihong	0.162%
Ms. Huang Shuling[1]	Beneficial owner	Shanghai Lihong	0.794%

Notes:

(1) Shanghai Lihong is directly held as to 8.414%, 0.162% and 0.794% by Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling, respectively. Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling, as members of the Controlling Shareholders Group, with their direct equity interests in Shanghai Lihong, will not nominate any representative to the board of directors of Shanghai Lihong, which is the supreme organ of Shanghai Lihong under applicable PRC laws and regulations. In addition, the dividend distribution of Shanghai Lihong will not be made to them pursuant to the dividend payment arrangement among the shareholders of Shanghai Lihong. See "Relationship with our Controlling Shareholders – Potential conflict of interest and corporate governance measure".

(2) Shanghai Lihong is directly held as to 0.003% by Shanghai Hezhou, which is in turn held as to 61.85% by Mr. Wang Xuning. Therefore, Mr. Wang Xuning is deemed to be interested in the equity interests held by Shanghai Hezhou for the purpose of Part XV of the SFO. The dividend distribution of Shanghai Lihong will not be made to Shanghai Hezhou pursuant to the dividend payment arrangement among the shareholders of Shanghai Lihong. See "Relationship with our Controlling Shareholders – Potential conflict of interest and corporate governance measure".

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the Global Offering, has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see the section headed "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of our Group;

(b) none of the Directors or the experts named in the paragraph headed "—E. Other Information—4. Consents of Experts" in this section is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) none of the Directors or the experts named in the paragraph headed "—E. Other Information—4. Consents of Experts" in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this prospectus;

(e) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(f) saved as disclosed in this prospectus, none of the Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group;

(g) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the Global Offering, have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(h) none of the Directors or chief executive of our Company has any interests or short positions in our Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once our Shares are listed thereon.

D. RSU Plan

1. Summary

The following is a summary of the principal terms of the restricted stock unit plan (the "RSU Plan") of our Company as approved by the Board on October 9, 2019. The terms of the RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Plan will not involve the grant of options by us to subscribe for our Shares. In addition, the grant of RSUs by our Company or

transfer upon vesting of the RSUs of any of the Shares issued pursuant to the RSU Plan by any trustee or trust or representative holding company(ies) to a connected person of our Company should not be subject to the requirement of Chapter 14A of the Listing Rules.

2. Purpose

The purpose of the RSU Plan is to recognize and reward participants for their contribution to our Group, to attract best available personnel to provide service to our Group, and to provide additional incentives to them to remain with and further promote the success of our Group's business.

3. Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the RSU Plan, the RSU Plan shall be valid and effective for a period of 10 years commencing on the adoption date of October 9, 2019, after which no further awards will be granted, but the provisions of this RSU Plan shall in all other respects remain in full force and effect and the awards granted during the term of the RSU Plan may continue to be valid and exercisable in accordance with their respective terms of grant.

4. Administration

The RSU Plan shall be subject to the administration of the administrator (the "Administrator"), being (i) prior to the Listing, our Board, and (ii) immediately after the consummation of the Listing, our Board or a committee comprising of certain members of our Board as authorized by our Board from time to time for the purpose of administering the RSU Plan, in accordance with the terms and conditions of the RSU Plan. The Administrator may, from time to time, select the participants to whom restricted stock units may be granted ("Awards").

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of RSU Plan, (b) determine the persons who will be granted awards under the RSU Plan, the terms and conditions on which awards are granted and when the RSUs granted pursuant to the RSU Plan may vest, (c) make such appropriate and equitable adjustments to the terms of the awards granted under the RSU Plan as it deems necessary; and (d) make such other decisions or determinations as it shall deem appropriate or desirable in respect of the foregoing matters stated (a), (b) and (c).

5. Who may join

Those eligible to participate in the RSU Plan (the "Participants") include: (a) full-time employees (including directors, officers and members of senior management) of our Group; and (b) any person who, in the sole opinion of the Administrator, has contributed or will contribute to any member of our Group (including business partners of any member of our Group, such as suppliers, clients, or any persons who provide technical support, consultancy, advisory or other services to any member of our Group).

6. Maximum number of Shares

The total number of Shares underlying the RSU Plan ("RSU Limit") shall not exceed the aggregate of 141,618,409 Shares as of the date of adoption of the RSU Plan, representing 5% of the issued Shares of our Company immediately prior to the completion of the Global Offering. Vistra Trust

(Hong Kong) Limited has been appointed as the trustee (the "Trustee") pursuant to the trust deed to assist the Administrator with the administration of the RSU Plan. The Trustee will hold the Shares issued by the Company pursuant to the RSU Plan on trust for the grantees through its wholly-owned RSU Holding Entities.

7. Terms and Conditions of Award

(a) Grant of Awards

The Administrator may, from time to time, select the Participants to whom a grant of an Award may be made. The amount of an Award may be determined at the sole and absolute discretion of the Administrator and may differ among selected Participants.

(b) Consideration

The consideration (if any) payable by a selected Participant to the trustee for acceptance of the Award under the RSU Plan shall be determined at the sole and absolute discretion of the Administrator and any such consideration shall be held by the trustee as income of the trust funds and be applied by the trustee as it deems appropriate or desirable in accordance with the terms of the RSU Plan and the trust deed.

(c) Conditions of Award

Subject to the terms of the RSU Plan, the Awards may be granted on such terms and conditions (such as by linking the vesting of their RSU to the attainment or performance of milestones or targets by any member of our Group, the grantee or any group of grantees) as the Administrator may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of this RSU Plan. The terms and conditions of an Award may be determined at the sole and absolute discretion of the Administrator and may differ among selected Participants.

(d) Separate Programs

The Administrator may establish one or more separate programs under the RSU Plan for the purpose of issuing particular forms of Awards to one or more classes of grantees on such terms and conditions as determined by the Administrator from time to time.

(e) Restrictions

No grant of Award shall be made to any selected Participant at a time when the selected Participant would or might be prohibited from dealing in our Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

For as long as our Shares are listed on the Stock Exchange, a grant of Award must not be made after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the requirements of the Listing Rules and the relevant securities laws. For as long as our Shares are listed on the Stock Exchange, a grant shall not be made on any day on which the financial results of our Company are published and during the period of: (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

For as long as the Shares are listed on the Stock Exchange, if required by the Stock Exchange or the Listing Rules, any grant of an Award shall be subject to the compliance with the requisite requirements under the Listing Rules or otherwise required by the Stock Exchange. The Administrator may not grant any Awards to any Participant in any of the following circumstances:

(i) the requisite approvals for that grant of Award from any applicable regulatory authorities have not been obtained; or

(ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of Award or in respect of the RSU Plan, unless the Administrator determines otherwise; or

(iii) where the grant of Award would result in a breach of any applicable securities laws, rules or regulations by any member of our Group or any of its directors; or

(iv) the grant of Award would result in breach of the RSU Limit or other rules of the RSU Plan.

(f) Transferability of Awards

RSUs granted pursuant to the RSU Plan shall be personal to the grantee and shall not be assignable or transferable, except assignment or transfer from a grantee to a company wholly owned by him or between two companies both of which are wholly owned by him.

8. Taxes

The grantee shall be solely liable to pay all the relevant portion of taxes, stamp duty and other levies responsible by the grantees that may be assessed or assessable on any transfer of Shares or payments made by the Administrator, the Trustee or our Company (either directly or indirectly) under the RSU Plan and all transfers or payments required to be made hereunder by the Administrator, the Trustee or our Company shall be subject to the deduction or withholding of such amounts as the Administrator may reasonably determine is necessary or desirable by reason of any liability to tax or obligation to account for tax or loss of any relief from tax that may fall on the Administrator or our Company, any member of our Group, or the Trustee in respect of, or by reason of such delivery or sales of Shares underlying an RSU and/or the making of such payments, and the grantee agrees to indemnify and keep the Administrator, our Company (for itself and as trustee for members of our Group) and the Trustee indemnified in respect of any such liability, obligation or loss and accepts that any claim in respect of such indemnity may be satisfied by set-off against any sums due from the Administrator or our Company, any Group Company, and/or the Trustee to such grantee from time to time.

9. Vesting

(a) Vesting Notice

Upon fulfillment or waiver (by the Administrator in its sole and absolute discretion) of the vesting period and vesting conditions (if any) applicable to a grantee or a grant, a vesting notice will be sent to the grantee by the Administrator, or by the Trustee under the authorization and instruction by the Administrator, confirming (a) the extent to which the vesting period and vesting conditions have been fulfilled or waived; (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip dividends in respect of

these Shares) or the amount of cash the grantee will receive; and (c) where the grantee will receive Shares, the lock-up arrangements for such Shares (if applicable). The grantee may be required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Administrator considers necessary (which may include, without limitation, a certification that he or she has complied with all the terms and conditions set out in the RSU Plan and the Award Agreement). In the event that the grantee fails to execute the required documents within 30 business days after receiving the vesting notice (if the documents to be executed by the grantee is set out in the vesting notice), the vested RSUs will lapse.

(b) RSUs which have vested

Subject to the execution of documents by the grantee as set out above, the RSUs which have vested shall be satisfied, at the Administrator's sole and absolute discretion within a reasonable period from the vesting date of such RSUs, either by:

(i) subject to the above paragraph 8, the Administrator directing and procuring the Trustee to transfer our Shares underlying the RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the grantee or his wholly-owned entity (as represented by the grantee) from the trust fund; and/or

(ii) the Administrator directing and procuring the Trustee to pay to the grantee in cash an amount which is equivalent to the market value of our Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) set out in the paragraph (i) above by making on-market sales of such Shares and/or utilizing the cash in the trust fund according to the Administrator's instruction and after deduction or withholding of any tax, fines, levies, stamp duty and other charges applicable to the entitlement of the grantee and the sales of any Shares to fund such payment and in relation thereto.

The Administrator shall have the sole and absolute discretion to determine whether or not a grantee shall have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying a RSU prior to vesting of the RSU.

(c) Voting Rights

Subject to any applicable laws, regulations and rules, the powers and obligations of the Trustee will be limited as set forth in the trust deed and the Trustee shall, prior to the Shares being transferred to the grantees pursuant to this RSU Plan, exercise all powers and rights attached to the Shares (including the voting rights thereof) under this RSU Plan but shall be required to give a proxy (without specifying voting direction) to the chairman of each general meeting in terms of the voting over the Shares held by the Trustee. The Trustee will hold the trust fund in accordance with the terms of the trust deed and the Trustee will hold the Shares which are part of the trust fund.

10. Treatment under takeover, scheme of arrangement, voluntarily wind-up and compromise or arrangement

(a) Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (b) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU, the Administrator shall, prior to or immediately upon the offer becoming or being declared unconditional, determine at its absolute discretion whether the remaining unvested RSU shall vest and if any RSU shall vest, it shall vest on the day on which such offer becomes or is declared unconditional. If the Administrator determines that such RSU shall vest, it shall notify the grantee, the Trustee and the Company the number of RSUs to be vested on the day on which such offer becomes or is declared unconditional.

(b) Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting of any RSU, the Administrator shall, on the same day as and immediately after the close of such Shareholders' meetings, determine at its sole and absolute discretion whether the remaining unvested RSU shall vest and if any RSU shall vest, it shall vest on the same day as the Shareholders' meetings. If the Administrator determines that such RSU shall vest, it shall notify the grantee, the Trustee and the Company the number of RSUs to be vested on the same day as the Shareholders' meeting.

(c) Voluntarily winding-up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Administrator shall, on the same day as and immediately after the close of such Shareholders' meeting, determine at its sole and absolute discretion whether the remaining unvested RSU shall vest, and if any RSU shall vest, it shall vest on the same day as the Shareholders' meeting. If the Administrator determines that such RSU shall vest, it shall notify the grantee, the Trustee and the Company the number of RSUs to be vested on the same day as the Shareholders' meetings.

(d) Compromise or arrangement

In the event a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (b) above, between the Company and the Shareholders and/or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering the same, the Administrator shall, on the same day as and immediately after the close of such Shareholders' meeting, determine at its sole and absolute discretion whether the remaining unvested RSU shall vest, and if any RSU shall vest, it shall vest on the same day as the Shareholders' meetings. If the Administrator determines that such RSU shall vest, it shall notify the grantee, the Trustee and the Company the number of RSUs to be vested on the same day as the Shareholders' meeting.

11. Lapse and Forfeiture

Subject to terms and conditions of the RSU Plan where the Administrator would otherwise specify, the unvested RSUs shall automatically lapse upon the earliest of:

(i) the date of the termination of a grantee's employment or service by any member of our Group; or

(ii) in the event that certain general offer for Shares is made to our Shareholders, the date on which the offer (or, as the case may be, revised offer) closes; or

(iii) in the event certain general offer for Shares by way of scheme of arrangement is made to our Shareholders, the date on which the scheme of arrangement becomes effective; or

(iv) the date of the commencement of the winding-up of our Company; or

(v) the date of the commencement of the compromise or arrangement in respect of reconstruction or amalgamation of the Company; or

(vi) the date on which the grantee commits a breach under the RSU Plan by contravening the term that no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSU or any property held by the trustees on trust for the grantees, Awards, Shares underlying any Awards or RSUs or any interest or benefits therein; or

(vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or

(viii) the Administrator has decided that the unvested RSUs shall not be vested for the grantee in accordance with the rules of the RSU Plan and the terms and conditions as set out in the Award Agreement.

Notwithstanding the aforesaid, in each case, the Administrator may in its sole and absolute discretion decide that any RSU shall not lapse or shall be subject to such conditions or limitations as the Administrator may decide.

12. Reorganization of Capital Structure

(1) In the event of any alteration in the capital structure of our Company, such as capitalization issue, consolidation, sub-division and reduction of the share capital of our Company, the Administrator may make equitable adjustments that it considers appropriate, at its sole and absolute discretion, including:

(a) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;

(b) reach such accommodation with the grantee as it considers appropriate, including the payment of cash compensation to the grantee equivalent to the fair value to any RSU to the extent not vested;

(c) waive any conditions to vesting of any RSU to the extent not already vested; or

(d) permit the continuation of an Award in accordance with its original terms.

(2) Without prejudice to the above paragraph (1):

(a) In the event our Company undertakes an open offer of new securities in respect of any Shares which are held by the Trustee under the RSU Plan, the Trustee shall not

subscribe for any new Shares. In the event of a rights issue, the Trustee shall not take up any rights Shares and shall, if possible, sell the amount of the nil-paid rights allotted to it during a specific period and at a specific price range as determined by the Trustee in its sole and absolute discretion and the net proceeds of sale of such rights shall be held as part of the trust fund and be applied in accordance with the terms of this RSU Plan.

(b) In the event our Company issues bonus warrants in respect of any Shares which are held by the Trustee, the Trustee shall not subscribe for any new Shares by exercising any of the subscription rights attached to the bonus warrants and shall, if possible, sell the bonus warrants created and granted to it during a specific period and at a specific price range as determined by the Trustee in its sole and absolute discretion and the net proceeds of sale of such bonus warrants shall be held as part of the trust fund and be applied in accordance with the terms of this RSU Plan.

(c) In the event our Company undertakes a scrip dividend scheme, the Trustee shall elect cash dividend and the cash dividend will be treated as part of the trust fund and be applied in accordance the terms of this RSU Plan.

(d) In the event of other non-cash and non-scrip distribution made by our Company in respect of Shares held upon the Trust, the Trustee shall dispose of such distribution as determined by the Trustee in its sole and absolute discretion, the net sale proceeds thereof shall be deemed as part of the trust fund and shall be applied in accordance with the terms of this RSU Plan.

13. Alteration or Termination of the RSU Plan

(a) Alteration

The terms of the RSU Plan may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not negatively affect or prejudice any subsisting rights of any grantee thereunder.

(b) Termination

The RSU Plan may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any grantee under the RSU Plan. For the avoidance of doubt, no further Awards shall be granted after the RSU Plan is terminated but in all other respects the provisions of the RSU Plan shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid. In such event, (i) the Trustee shall act in accordance with the instruction of the Administrator to notify all grantees of such termination and how the trust fund held by the trustees on trust and other interests or benefits in relation to the outstanding RSUs shall be dealt with, and (ii) to the extent that any part of the trust fund will not be transferred to the grantees under (i), the trust fund held by the trustee and any income thereof shall be held by the trustee for the purpose of the future incentive plans of the Company or as otherwise instructed by the Administrator.

14. No Effect on Contract of Employment

The RSU Plan shall not form part of any contract of employment or engagement of services between our Group and any Participant and the rights and obligations of any Participant under the

terms of his office, employment or engagement in services shall not be affected by the participation of the Participants in the RSU Plan or any rights which he may have to participate in it and the RSU Plan shall afford such a Participant no additional rights to compensation or damages in consequence of the termination of such office, employment or engagement for any reason.

15. Details of the RSUs granted under the RSU Plan

As of the date of this prospectus, the aggregate number of Shares underlying the granted RSUs is 129,265,801, representing approximately 4.56% of the issued share capital of our Company immediately prior to the completion of the Global Offering and approximately 3.88% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option will not be exercised).

Details of the RSUs granted pursuant to the RSU Plan to our Directors and senior management are set out below:

Name of Director/ Management	Position in the Group	Number of Shares underlying the RSUs granted as of the date of this prospectus	Approximate percentage of shareholding immediately before the completion of the Global Offering	Grant Date	Vesting Period (subject to other conditions in the RSU Plan)
Mr. Wang Xuning (王旭寧)	Chief Executive Officer of the Company, Global Chief Executive Officer of Compass	45,317,890	1.6%	October 12, 2019	30% of each Award will not be subject to any performance-based conditions and will vest in four annual installments equally on May 31 of 2020 to 2023; 70% of each Award will be subject to performance-based conditions and will vest (if any, fully or partially) over four years on May 31 of 2020 to 2023.
Ms. Han Run (韓潤)	Chief Financial Officer of the Company	11,329,472	0.4%	October 12, 2019	
Mr. Mark Adam Barrocas	Global President of the Company; President of SharkNinja Operating LLC	31,156,049	1.1%	October 12, 2019	
Ms. Yang Ningning (楊寧寧)	General Manager of Joyoung	11,329,472	0.4%	October 12, 2019	
Mr. Qiu Jiandiao (裘劍調)	Chief Financial Officer of Joyoung	1,500,000	0.05%	October 12, 2019	
Mr. David William Stevenson	Chief Financial Officer of Compass	3,115,604	0.11%	October 12, 2019	

A total of 29 other employees of our Company and certain of its subsidiaries have also been granted the RSUs on October 12, 2019, whose underlying Shares are 25,517,314 in aggregate, with the same vesting period applicable to our Directors and senior management as disclosed above.

Any Share underlying any RSUs shall not be transferred or sold prior to the Listing. The maximum number of Shares underlying the RSU Plan is 141,618,409 Shares, all of which have been issued on October 25, 2019 and held by the Trustee on trust for the grantees, representing approximately 5% of the issued share capital of our Company immediately prior to the completion of the Global Offering. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option will not be exercised), the aggregate number of Shares underlying the RSU Plan will be 141,618,409 Shares, all of which will be held by the Trustee on trust for the grantees, representing approximately 4.25% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option will not be exercised). Therefore, no grant of such RSUs under the RSU Plan will cause any dilution of the shareholding of our Shareholders after the Listing.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, our Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

As of the Latest Practicable Date, certain group entities of the Industrial and Commercial Bank of China Limited ("ICBC"), the parent company of ICBC International Capital Limited, have lending relationship with the Group and its Controlling Shareholders. ICBC International Capital Limited is therefore not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Saved as disclosed above, the Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fee in relation to the Listing is US$1.4 million.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Credit Suisse (Hong Kong) Limited	Credit Suisse (Hong Kong) Limited, a company incorporated in Hong Kong, that is licensed for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Morgan Stanley Asia Limited	Morgan Stanley Asia Limited, a company incorporated in Hong Kong, that is licensed for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
ICBC International Capital Limited	ICBC International Capital Limited, a company incorporated in Hong Kong, that is licensed for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
Grandall Law Firm (Shanghai)	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Compliance Adviser

Our Company has appointed Altus Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

9. No Material Adverse Change

The Directors confirm that there has been no material change in our financial or trading position since June 30, 2019.

10. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business—1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(e) Save as disclosed in this prospectus, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of **white, yellow** and **green** Application Forms;

(b) the written consents referred to under the paragraph headed "Statutory and General Information—E. Other Information—4. Consents of experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Appendix IV—Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our office in Hong Kong at Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Associations;

(b) the Accountants' Report of our Group issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group issued by Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2018 and the six months ended June 30, 2019;

(e) the PRC legal opinions issued by Grandall Law Firm (Shanghai), our legal advisor as to PRC law, in respect of certain general corporate matters and property interests of our Group;

(f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;

(g) the Cayman Companies Law;

(h) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(i) the written consents referred to under the paragraph headed "Statutory and General Information—E. Other Information—4. Consents of experts" in Appendix IV to this prospectus;

(j) the material contracts referred to in "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix IV to this prospectus;

(k) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information—C. Further Information about our Directors—1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this prospectus; and

(l) the Restricted Stock Unit Plan.

JS
Global