JS Global

JS Global Lifestyle Company Limited
JS 环球生活有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1691)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS OF THE 2021 INTERIM RESULTS ANNOUNCEMENT

- Revenue for the Reporting Period was US$2,239.4 million, representing a year-on-year increase of 47.8%;
- Gross profit for the Reporting Period was US$908.4 million, a year-on-year increase of 37.3%;
- Profit for the Reporting Period was US$217.7 million, a year-on-year increase of 104.0%;
- EBITDA for the Reporting Period increased by 34.4% year-on-year to approximately US$336.2 million;
- Adjusted EBITDA for the Reporting Period increased by 48.9% year-on-year to approximately US$350.5 million;
- Adjusted profit attributed to owners of the parent for the Reporting Period increased by 97.8% year-on-year to approximately US$215.0 million.

The board (the "**Board**") of directors (the "**Directors**") of JS Global Lifestyle Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended June 30, 2021 (the "**Reporting Period**").

The Group's unaudited consolidated statement of profit or loss, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of financial position and explanatory notes 1 to 15 as presented below are extracted from the Group's unaudited interim condensed consolidated financial information for the Reporting Period, which has been reviewed by the Company's external auditor Ernst & Young, in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL INFORMATION

The financial information below is an extract of the unaudited interim condensed consolidated financial information of the Group for the Reporting Period:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2021

	Notes	2021 US$'000	2020 US$'000
REVENUE	*4*	**2,239,443**	1,514,692
Cost of sales		**(1,331,052)**	(852,926)
Gross profit		**908,391**	661,766
Other income and gains	*5*	**28,036**	15,708
Selling and distribution expenses		**(378,352)**	(243,926)
Administrative expenses		**(266,249)**	(220,282)
Impairment losses on financial assets		**(5,578)**	(5,581)
Other expenses		**(3,817)**	(4,789)
Finance costs	*6*	**(13,673)**	(59,077)
Share of profits and losses of associates		**1,586**	(262)
PROFIT BEFORE TAX	*7*	**270,344**	143,557
Income tax expense	*8*	**(52,688)**	(36,863)
PROFIT FOR THE PERIOD		**217,656**	106,694
Attributable to:			
Owners of the parent		**193,422**	81,777
Non-controlling interests		**24,234**	24,917
		217,656	106,694
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
— Basic		**US5.7 cents**	US2.5 cents
— Diluted		**US5.7 cents**	US2.5 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	2021	2020
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**217,656**	106,694
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**9,495**	(10,856)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**9,495**	(10,856)
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	**279**	—
Income tax effect	**(47)**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**232**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**9,727**	(10,856)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**227,383**	95,838
Attributable to:		
Owners of the parent	**200,941**	73,917
Non-controlling interests	**26,442**	21,921
	227,383	95,838

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

	Notes	As at June 30, 2021 US$'000	As at December 31, 2020 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**206,447**	208,432
Investment properties		**17,302**	16,231
Prepaid land lease payments		**16,171**	16,212
Right-of-use assets		**74,557**	68,673
Goodwill		**849,166**	848,238
Other intangible assets		**557,764**	562,447
Investments in associates		**28,480**	26,688
Financial assets at fair value through profit or loss		**76,385**	73,719
Financial assets designated at fair value through other comprehensive income		**43,632**	40,023
Deferred tax assets		**61,250**	60,970
Other non-current assets		**23,415**	18,761
Total non-current assets		**1,954,569**	1,940,394
CURRENT ASSETS			
Inventories		**716,902**	575,497
Trade and bills receivables	*11*	**805,298**	1,203,531
Prepayments, other receivables and other assets		**124,932**	121,364
Financial assets at fair value through profit or loss		**167,820**	209,405
Pledged deposits		**88,916**	33,107
Cash and cash equivalents		**609,433**	570,810
Total current assets		**2,513,301**	2,713,714

	Notes	As at June 30, 2021 US$'000	As at December 31, 2020 US$'000
CURRENT LIABILITIES			
Trade and bills payables	*12*	**697,002**	885,345
Other payables and accruals		**777,358**	642,638
Interest-bearing bank borrowings	*13*	**72,364**	46,571
Lease liabilities		**18,228**	15,272
Tax payable		**11,806**	28,033
Total current liabilities		**1,576,758**	1,617,859
NET CURRENT ASSETS		**936,543**	1,095,855
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,891,112**	3,036,249
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**830,254**	892,845
Lease liabilities		**64,348**	60,919
Deferred tax liabilities		**141,506**	146,651
Other non-current liabilities		**19,436**	15,467
Total non-current liabilities		**1,055,544**	1,115,882
Net assets		**1,835,568**	1,920,367
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**34**	34
Share premium		**1,062,659**	1,062,659
Capital reserve		**(27,442)**	69,538
Reserves		**586,706**	479,547
		1,621,957	1,611,778
Non-controlling interests		**213,611**	308,589
Total equity		**1,835,568**	1,920,367

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of the following International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised IFRSs are described below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars and foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at June 30, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met.

Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on January 1, 2021 and applied the practical expedient during the period ended June 30, 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before June 30, 2022 as a direct consequence of the covid-19 pandemic. The amendment did not have any impact on the Group's unaudited interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its operations and has two reportable operating segments, Joyoung and SharkNinja.

(a) the Joyoung segment was involved in the design, manufacture, marketing, export and distribution of small kitchen and cleaning appliances; and

(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 and small kitchen appliances products.

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 profit before tax. The adjusted 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 gains or losses, interest income, non-lease-related finance costs, and other unallocated corporate income and expenses.

Six months ended June 30, 2021

	Joyoung *US$'000*	SharkNinja *US$'000*	Total *US$'000*
Segment revenue			
Sales to external customers	**642,974**	**1,596,469**	**2,239,443**
Intersegment sales	**81,183**	**9,075**	**90,258**
	724,157	**1,605,544**	**2,329,701**
Reconciliation:			
Elimination of intersegment sales			**(90,258)**
Revenue *(note 4)*			**2,239,443**
Segment results	**76,544**	**217,394**	**293,938**
Reconciliation:			
Interest income			**1,995**
Exchange gain			**2,151**
Unallocated income			**109**
Finance costs			**(11,955)**
Corporate and other unallocated expenses			**(15,894)**
Profit before tax			**270,344**
Other segment information			
Share of profits and losses of associates	**1,586**	**—**	**1,586**
Impairment of inventories and financial assets recognized in profit or loss	**256**	**14,838**	**15,094**
Depreciation and amortization	**8,254**	**48,644**	**56,898**
Interest income	**2,789**	**101**	**2,890**
Finance costs	**297**	**1,421**	**1,718**
Investments in associates	**28,480**	**—**	**28,480**
Capital expenditure*	**10,151**	**43,715**	**53,866**

Six months ended June 30, 2020

	Joyoung *US$'000*	SharkNinja *US$'000*	Total *US$'000*
Segment revenue			
Sales to external customers	624,377	890,315	1,514,692
Intersegment sales	13,111	10,447	23,558
	637,488	900,762	1,538,250
Reconciliation:			
Elimination of intersegment sales			(23,558)
Revenue *(note 4)*			1,514,692
Segment results	69,780	145,847	215,627
Reconciliation:			
Interest income			2,388
Exchange gains			1,278
Unallocated income			2,885
Finance costs			(55,349)
Corporate and other unallocated expenses			(23,272)
Profit before tax			143,557
Other segment information			
Share of profits and losses of associates	(262)	—	(262)
Impairment of inventories and financial assets recognized in profit or loss	1,439	5,388	6,827
Depreciation and amortization	7,341	44,950	52,291
Interest income	2,370	—	2,370
Finance costs	2,243	1,485	3,728
Investments in associates	34,598	—	34,598
Capital expenditure*	1,385	72,094	73,479

* 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.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2021	2020
	US$'000	*US$'000*
Revenue from contracts with customers		
Sale of goods and provision of extended warranties	**2,239,443**	1,514,692

Disaggregated revenue information

	For the six months ended June 30,	
	2021	2020
	US$'000	*US$'000*
Geographical markets		
Mainland China	**626,927**	612,855
North America	**1,260,987**	724,865
Europe	**279,923**	143,812
Other countries/regions	**71,606**	33,160
Total revenue from contracts with customers	**2,239,443**	1,514,692

	For the six months ended June 30,	
	2021	2020
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**2,238,754**	1,514,401
Services transferred over time	**689**	291
Total revenue from contracts with customers	**2,239,443**	1,514,692

5. OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2021	2020
	US$'000	*US$'000*
Other income		
Bank interest income	**4,885**	4,758
Net rental income from investment property operating leases	**20**	417
Government grants	**11,148**	4,855
Others	**280**	1,120
	16,333	11,150
Gains		
Gain on disposal of items of property, plant and equipment	**37**	25
Gain on disposal of an investment property	**—**	454
Gain on financial assets at fair value through profit or loss, net	**6,915**	3,255
Gain on disposal of an associate	**1,040**	—
Others	**3,711**	824
	11,703	4,558
Total other income and gains	**28,036**	15,708

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended June 30,	
	2021	2020
	US$'000	*US$'000*
Interest on bank loans	**9,900**	21,454
Interest on lease liabilities	**1,570**	1,636
Amortization of deferred finance costs	**2,055**	32,413
Other finance costs	**148**	3,574
	13,673	59,077

7. PROFIT BEFORE TAX

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

		For the six months ended June 30,	
		2021	2020
	Note	***US\$'000***	*US\$'000*
Cost of inventories sold		**1,331,052**	852,926
Foreign exchange differences, net		**(631)**	2,992
Impairment of inventories		**9,516**	1,246
Impairment of financial assets, net:			
Impairment of trade receivables, net		**6,762**	5,302
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets, net		**(1,184)**	279
		5,578	5,581
Product warranty provision:			
Additional provision		**8,509**	4,841
Gain on disposal of items of property, plant and equipment	*5*	**(37)**	(25)
Gain on disposal of an investment property	*5*	**—**	(454)
Gain on financial assets at fair value through profit or loss, net	*5*	**(6,915)**	(3,255)
Gain on disposal of an associate	*5*	**(1,040)**	—
Government grants*	*5*	**(11,148)**	(4,855)

Note:

* Various government grants have been received for setting up research and promotion activities and alleviating unemployment in Mainland China. Government grants received for which related expenditure has not yet been undertaken are recognized as deferred income and included in other payables in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2021	2020
	US\$'000	*US\$'000*
Current income tax charge/(credit):		
In Mainland China	**8,679**	5,601
In the United States	**39,645**	19,909
In the United Kingdom	**(438)**	1,132
In Hong Kong	**5,687**	1,936
Elsewhere	**1,738**	(2,330)
Deferred income tax:		
In Mainland China	**(1,150)**	6,601
In the United States	**(1,473)**	4,014
Total tax charge for the period	**52,688**	36,863

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.

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (during the six months ended June 30, 2020: 25%) on their respective taxable income. During the Reporting Period, five (during the six months ended June 30, 2020: two) of the Group's entities obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

The US income tax includes (a) federal income tax calculated at a fixed rate of 21% (during the six months ended June 30, 2020: 21%) for the Reporting Period on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates on the estimated state taxable income for the respective states.

Hong Kong profits tax has been provided at the rate of 16.5% (during the six months ended June 30, 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (during the six months ended June 30, 2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (during the six months ended June 30, 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (during the six months ended June 30, 2020: 16.5%).

The Group realized tax benefits during the period through applying the preferential corporate income tax rates and the corporate income tax exemptions. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

9. INTERIM DIVIDENDS

The board does not recommend the payment of any interim dividend for the six months ended June 30, 2021 (during the six months ended June 30, 2020: nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,385,057,000 in issue during the Reporting Period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect arising from the share award scheme of Joyoung Co., Ltd., a subsidiary of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2021	2020
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**193,422**	81,777
Effect of dilution — impact arising from the share award scheme of Joyoung Co., Ltd.	**(102)**	—
	193,320	81,777

	Number of shares for the six months ended June 30,	
	2021	2020
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,385,057**	3,271,722
Effect of dilution — weighted average number of ordinary shares:		
Share award scheme	**17,575**	18,610
	3,402,632	3,290,332

11. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date and net of impairment, is as follows:

	June 30, 2021	December 31, 2020
	US$'000	*US$'000*
Within 6 months	**799,848**	1,194,320
6 months to 1 year	**5,044**	7,902
1 to 2 years	**406**	917
Over 2 years	**—**	392
	805,298	1,203,531

Included in the Group's trade and bills receivables were amounts due from the Group's associates of US$13,734,000 as at June 30, 2021 (December 31, 2020: US$12,470,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables as at the end of the Reporting Period, based on the invoice date was as follows:

	June 30, 2021	December 31, 2020
	US$'000	*US$'000*
Within 1 year	**691,080**	884,641
1 to 2 years	**5,922**	704
	697,002	885,345

Included in the trade and bills payables are trade payables of US$9,009,000 (December 31, 2020: US$42,178,000) due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.

The Group's bills payable were secured by pledged deposits of the Group of US$88,916,000 (December 31, 2020: US$33,107,000) as at June 30, 2021, and secured by bills receivable of the Group of US$102,854,000 (December 31, 2020: US$171,138,000) as at June 30, 2021.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

13. INTEREST-BEARING BANK BORROWINGS

	June 30, 2021			December 31, 2020		
	Interest rate (%)	**Maturity**	***US$'000***	Interest rate (%)	Maturity	*US$'000*
Current						
Bank loans — secured (a)	**1.56+LIBOR**	**2022**	**34,864**	1.56+LIBOR	2021	34,718
Bank loans — secured (a)	**1.80+LIBOR**	**2022**	**37,500**	1.80+LIBOR	2021	11,853
			72,364			46,571
Non-current						
Bank loans — secured (a)	**1.80+LIBOR**	**2022-2025**	**459,905**	1.80+LIBOR	2022–2025	485,096
Bank loans — secured (a)	**1.56+LIBOR**	**2023-2025**	**370,349**	1.56+LIBOR	2022–2025	407,749
			830,254			892,845
			902,618			939,416

	June 30, 2021	December 31, 2020
	US$'000	*US$'000*
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	**72,364**	46,571
In the second year	**109,628**	84,412
In the third to fifth years, inclusive	**720,626**	808,433
	902,618	939,416

Notes:

(a) The bank loans are secured by:

(i) The pledge of 307,618,897 shares of Joyoung Co., Ltd. as at June 30, 2021 (December 31, 2020: 307,618,897);

(ii) 82.9% of shares in Shanghai Lihong Enterprise Management Company Limited ("**Shanghai Lihong**") held by JS Global Trading HK Limited;

(iii) 0.86% of shares in Shanghai Lihong held by Easy Appliance Hong Kong Limited;

(iv) Certain of the Group's assets amounting to US$2,505,955,000 as at June 30, 2021 (December 31, 2020: US$2,228,813,000); and

(v) The pledge of equity interests of the following companies:

	Percentage of equity interests
Global Appliance LLC	100%
EP Midco LLC	100%
SharkNinja Operating LLC	100%
Euro-Pro International Holding Company	100%
SharkNinja Sales Company	100%
SharkNinja Management LLC	100%
Global Appliance UK Holdco Limited	100%
SharkNinja Global SPV, Ltd.	100%
SharkNinja Global SPV 2 Limited	100%
Bilting Developments Limited	100%
JS (BVI) Holding Limited	100%
JS Global Trading HK Limited	100%
Euro-Pro Hong Kong Limited	100%
SharkNinja (Hong Kong) Company Limited	100%
Shenzhen SharkNinja Technology Co., Ltd.	100%
Suzhou SharkNinja Technology Co., Ltd.	100%

The Group's unutilized available bank borrowing facilities amounted to US$250,000,000 as at June 30, 2021 (December 31, 2020: US$250,000,000).

14. BUSINESS COMBINATION

In February 2021, SharkNinja Operating LLC, a subsidiary of the Group, acquired the assets of Viper Design LLC ("**Viper**") from a third party. Viper is principally engaged in the research and development for the manufacture of robotic products. The acquisition was made as part of the Group's strategy to procure the technology used in the Group's advanced navigation robot products. The purchase consideration for the acquisition was US$2,400,000 with US$1,800,000 paid by the acquisition date.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition were as follows:

	Fair value recognized on acquisition *US$'000*
Other intangible assets	1,570
Total provisional identifiable net assets at fair value	1,570
Goodwill on acquisition	830
Satisfied by cash	1,800
Contingent liabilities	600

Included in the goodwill of US$830,000 recognized above is the assembled workforce, which is not recognized separately. Since the workforce is not separable, it does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets.* None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US$'000
Cash consideration	(1,800)
Cash and bank balances acquired	—
Net outflow of cash and cash equivalents	
Included in cash flows from operating activities	(1,800)

15. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to June 30, 2021.

The following discussion should be read in conjunction with the unaudited consolidated financial information of the Group, including the related notes, set forth in the financial information section of this announcement.

BUSINESS OVERVIEW

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

We are a global leader in high-quality, innovative small household appliances and 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 model with high penetration. Through continuously creating new products, expanding and diversifying our product portfolio to stimulate consumers' demand and grow the market, we are the leader of the market, reshaping the consumer behavior and their lifestyle globally. With trusted market-leading brands, Shark, Ninja and Joyoung, we continue to maintain a leading position in the global small household appliance market.

We focus on 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 operational infrastructure, including a global research and development platform which utilizes consumer engagement to amass information on consumer preferences and behaviors that informs and influences the product development process, a centralized supply chain with a global reach and a comprehensive information management system across the entire value chain.

We offered our transformational and innovative small household appliances under the brand names of Shark, Ninja and Joyoung, within the following two business segments during the Reporting Period:

- the SharkNinja segment focuses on home environment appliances and kitchen appliances which are sold in North America, Europe, Japan and various other countries throughout the world. The Shark and Ninja brands maintain leading market share in a number of product categories and in a number of countries through an intense focus on quality, reliability, consumer satisfaction and accessible innovation to consumers.

- the Joyoung segment continues offering small household appliances, focusing on kitchen and cleaning appliances. In China, our Joyoung brand maintains the largest market share in several innovative product categories.

Despite the pressure and challenges, China and the United States (the "**U.S.**") remain the world's largest and most attractive small household appliance markets.

Global Update

We delivered a strong performance in the first half of the year, following the momentum seen at the end of the last year. Revenue increased by 47.8% organically compared to the corresponding period in prior year, driven by sustained demand for our products in North America and China, along with continued expansion in Europe. Our substantial topline growth occurs amidst a challenging global environment, including a strained supply chain in raw materials, components, labor, and marine transportation shortages, growing inflation, and uncertainty around the continued global health crisis. Our global team remained vigilant navigating these challenges to keep our products in stock at retailers, while aggressively controlling and leveraging costs, allowing us to deliver adjusted net profit growth in the first half of the year with a 80.1% increase. As we moved through the first half of 2021, we started to realize there are more and more physical retail space being opened up in many of the markets that we operate in. We recognize the industry environment is ever-changing, with many factors that vary market by market, impacting the Group from both supply and demand sides. The pace, degree, and timing of the world's recovery from the COVID-19 pandemic is uncertain and many people would consider the way we work and live has been permanently changed. Remote work, hybrid in-office models, new daily habits and rituals, and the new "stay-at-home economy" are likely to become a new normal.

Despite the uncertainties that the COVID-19 pandemic has created from both the supply and demand perspectives, we have remained committed to our strategy of growing market share within our existing product categories, launching into new product categories and expanding internationally. Our first half 2021 results are result of our ability to execute on our strategy despite the challenges we have faced, the continued hard work and ongoing dedication of our partners around the globe delivered this tremendous period, during these challenging times.

The United States

As the top 1 vacuum brand, and top 1 small kitchen appliance brand in the U.S., we continued our trend of rapid growth in the U.S. by ongoing execution of our strategy of growing market share in existing categories, as well as launching into new categories.

Our market share grew in every major category that we operate in, and every major category that we operate in experienced double-digits growth year-on-year during the first half. Our market share within cleaning appliances grew from 27.2% to 30.8%[1], cooking appliances from 18.3% to 26.3%[2], and food preparation appliances from 26.6% to 32.5%[3] in the U.S.

---

1 Source: The NPD Group / Retail Tracking Service, U.S. dollar sales, January-June 2021 vs. January-June 2020. "Cleaning appliances" include: Bare Floor Cleaners, Hand Vacuums, Robotic Vacuums, Stick Vacuums, Upright Vacuums

2 Source: The NPD Group / Retail Tracking Service, U.S. dollar sales, January-June 2021 vs. January-June 2020. "Cooking appliances" include: Air Fryers, Electric Grills, Fryers, Multi-Cookers, Toaster Oven

3 Source: The NPD Group / Retail Tracking Service, U.S. dollar sales, January-June 2021 vs. January-June 2020. "Food preparation appliances" include: Juice Extractor, Kitchen System, Single Serve Blending & Processing, Traditional Blending, Traditional Food Processor

We have been able to grow our market share in the U.S. by the following ways:

- Launching innovative new products under the Shark brand during 2020 in both existing product categories and new product categories which contributed incremental revenue from the beginning and throughout the first half of 2021, such as the Shark VacMop, which is a cordless vacuum that combines powerful suction for dry debris and spray mopping for wet stuck on messes in one no-touch disposable pad and the Shark AI VacMop robot vacuum.

- Launching innovative new products under the Ninja brand during 2020 in both existing product categories and new product categories which contributed incremental revenue from the beginning and throughout the first half of 2021 including the Ninja Foodi Power Blender and Processor which has Variable Speed Control function with smartTorque that blends and powers through at any speed and never stalls, the Ninja Foodi Smart XL 6-in-1 Indoor Grill with the innovative Smart Cook System and XL capacity, the Ninja Foodi 10-in-1 XL Pro Air Fry Oven and a new series of Ninja Foodi NeverStick cookware. These new products have built upon the portfolio of successful Ninja Foodi products that we have launched in 2018 and 2019 to accelerate the strong growth trend across the entire Ninja Foodi series.

- Executing on our new product roadmap despite the challenges we faced in 2020 and the first half of 2021 including inability to travel and, with our offices closed, employees mostly worked from home for the half year. The strong resiliency of our team allowed us to launch products into several new categories since 2021 thus far including the Ninja CREAMi which transforms everyday ingredients into ice cream, gelato, smoothie bowls, milkshakes and more, the Ninja Cold Press Juicer Pro in collaboration with Joyoung which makes nutrient filled juices and wellness shots at home and the Shark Air Purifier 6 which quietly distributes air through 6 powerful fans, tracks air quality and auto-adjusts power to constantly maintain clean air.

- Securing strong placement of these new categories at retailers as a result of our solid track record of success when we have expanded into new product categories in the past, and our willingness to invest in advertising to support the new product launches.

- Continuing to heavily leverage, with respect all of our product launches, consumer insights in order to validate that the products we are bringing to the market will resonate with consumers and create excitement, while also living up to the claims we are making in our advertising.

Marketing and advertising continue to be a significant area of spending for us, in order to provide further knowledge to consumers about the products we are bringing to the market, as we continued to invest in digital advertising, short-form television advertising, and long-form television advertising. Further, we are leveraging new media channels, broadening advertising support by pushing notification wherever the consumer spends time across streaming, social, and mobile, while maintaining close partnerships with platforms to test, learn and scale. We increased influencer marketing activity, with a bigger focus on allowing consumer 5-star reviews and experiences to drive online conversation and spread authentic word-of-mouth, showcasing our strong and growing consumer loyalty.

We have continued to leverage our omni-channel distribution strategy as sales shifted from offline to online consumers are able to find our products wherever they choose to shop. We have leveraged our strong relationships with retailers to gain incremental product placements and key promotions during Amazon Prime Day and other key promotional periods.

As the stay-at-home situation continued for much of the first half of the year, we did notice growth in categories which benefited us, although we have started to see a slowdown in those market trends, our strong sales have continued due to the sustained market share gains and successful new category launches.

According to the U.S. Bureau of Economic Analysis, gross domestic production ("**GDP**") of the U.S. grew at a 6.5% annualized rate during the second quarter of 2021, with a slight increase compared to 6.3% reported at the end of first quarter of 2021. Personal consumption increased at an annualized rate of 11.8% in the second quarter, accelerating from 11.4% at the end of the first quarter of 2021.

We realized significant market size year-on-year growth in the first half of year throughout all categories that we operate in. The U.S. home environment market increased by 22% (U.S. dollar growth) in the first half of 2021, compared to the same period in last year, in which specialty cleaning and full-size vacuums representing a combined 55% of the incremental dollar growth. Meanwhile, U.S. kitchen electrics sales increased by 19% from the same period in last year, with coffee/espresso makers, cookers, blending and processing, and toaster ovens accounting for 68% of incremental dollar growth[4]. We saw a deceleration of this growth in the second quarter of 2021 as compared to the first quarter as the COVID-19 vaccine was rolled out and people to some degree began returning to their pre-pandemic routines, but overall demand for these categories remained strong.

China

The Group's Joyoung segment actively explored new categories, new channels and new media, promoted the online and offline integrated development to the largest extent, and launched a series of new products in a timely manner to satisfy demands of consumers of different age groups. The Joyoung segment vigorously deployed and developed offline new retail channels, promoted the construction of high-end brand stores represented by Shopping Malls, proactively adapted to the online-offline omni-channel development trend and built the closed loop of new retail O2O shopping experience, which brought the brand closer to consumers, users and followers and accumulated the big data foundation for deep cultivation of the value of digital economy in the future.

4 Source: The NPD Group / Retail Tracking Service, YTD through July 3, 2021 vs. YAGO

In the first half of the year, our existing kitchen appliance categories gave full play to the competitive advantages of new products to capture new niche opportunities and maintain existing market shares, and at the same time, it also made full use of its advantages to seize market shares, such as the wash-free high-performance multi-functional blender Y521 and the smart carbon steel kettle rice cooker F921 and other rigid-needed products to satisfy the public's desire for quality life. In the meantime, the Group expanded the mix of cookware and water purification products, such as diamond wear-resistant non-stick cookware and Rexiaojin RO reverse osmosis and heat purification integrated machine (熱小淨RO反滲透淨熱一體機).

Furthermore, the Shark brand offered more localized, lightweight and serialized product to the Chinese market, and collaborated with Tmall New Brand Treasure (天貓寶藏新品牌) to release the new flagship product of 2021, the steam scrubber drier T21. The brand initiated a large-scale promotion campaign through media, circulating the specially crafted promotional music and delivering content marketing in the form of immersive communication to targeted groups. In June 2021, the Shark all-in-one disposable cordless scrubber drier V5 was launched in the market.

In the first half of 2021, as a move to adapt to the new economic development trend, the Group actively collaborated with mainstream livestream platforms, seized the opportunities of livestream to build the systematic livestream structure of its own, which consisted of celebrities, KOLs (Key Opinion Leaders), KOCs (Key Opinion Consumers) and in-house livestream salespersons, and further improved the brand recognition and reputation. At the same time, we will establish the retail stores “Shopping Mall” offline steadily to seize the opportunities in the markets of lower-tier cities, and establish a good image of high-quality small home appliances.

Facing the challenging and complicated internal and external environments, especially the enormous shock of COVID-19 pandemic, China's GDP grew by 12.7% year on year in the first half of 2021, with the two-year average growth of the second quarter being higher than that of the first quarter, which indicated that China's economy is recovering and getting better quarter over quarter with strong resilience and vitality. In the first half of 2021, especially from the second quarter, China's small kitchen appliance industry grew at a slower pace, particularly the demand for non-core products such as food preparation appliances.

Under the backdrop of fierce market competition, increasing disposable income of Chinese consumers and the trend of consumption upgrading, Chinese consumers' consumption behaviors are changing dramatically. Small household appliances including soymilk makers, smart cookers and robotic vacuums are entering people's kitchens and living rooms. The consumption upgrade also triggers the trend of product premiumization and branding.

As of the first half of 2021, data of All View Cloud (AVC) showed that the Group's Joyoung segment ranked the first in both of the online and offline markets for the categories of soymilk makers and high-performance multi-functional blenders. In addition, according to Tmall Industry Data, Joyoung recorded a better retail performance than the industry level in the product segments of rice cookers, air fryers and water purifiers.

Europe

In the first half of 2021, SharkNinja continued to gain market share and deliver significant growth in all major categories we operate in within the European market. These positive trends in Europe continue to be driven by executing on our strategy of growing market share in existing categories, expanding into new markets, and launching into new categories.

Between January to June 2021, the Shark brand grew its share in the Great Britain vacuum cleaner market from 23.3% in first half of 2020 to 29.4%[5] in the first half of 2021. The Ninja brand held 12.4% market share of the food preparation market, from 6.3% in the previous year[6].

In the first six months of 2021, nearly one in two (49.6%) multicookers sold in Great Britain was from the Ninja brand[7]. The Ninja brand now holds almost three quarters (74.1%) market share of the multicookers market in Great Britain — which has gone up from 41.4% in the same period in 2020[8]. The Ninja brand has grown in sales value within the deep fryers market and now holds 33.8% market share[9].

We have been able to grow our market share in Great Britain by the following ways:

- Launching innovative new products in categories we currently operate in;

- Executing on our new product roadmap to launch products into several new categories since 2021 thus far, including our canister (cylinder) vacuums, with additional new launches coming within Shark and Ninja brands in the second half of 2021; and

- Obtaining strong placement of these new categories at retailers as a result of our solid track record of success when we have expanded into new product categories in the past, and our willingness to invest in advertising to support the new product launches.

Similar to the U.S., we have continued to leverage our omni-channel distribution strategy as sales, consumers are able to find our products wherever they choose to shop. We have leveraged our strong relationships with retailers to gain incremental product placements and key promotions during Amazon Prime Day and other key promotional periods. With respect to their most recent Prime Day, Amazon announced one of Shark's cordless stick vacuums with anti-hair wrap technology and the Ninja Air Fryer, as UK best-sellers during Amazon Prime Day.

We also continue to gain traction in Germany (launched in mid-2020) and France (launched in the end of 2020). Despite the difficult conditions we faced during the first half of 2021, we have secured strong product placements at retailers within each of these markets and have started to invest in advertising to grow our brand awareness within those markets.

---

5 GfK; Market Intelligence; Total Vacuum Cleaners; Sales, GB; Jan-Jun 2021
6 GfK; Market Intelligence; Total Food Preparation; Value Sales, GB; Jan-Jun 2021
7 GfK; Market Intelligence; Total Multicookers; Volume, GB; Jan-Jun 2021
8 GfK; Market Intelligence; Total Multicookers; Value Sales, GB; Jan-Jun 2021
9 GfK; Market Intelligence; Total Deep Fryers; Value Sales, GB; Jan-Jun 2021

As the stay-at-home situation continued for much of the first half of 2021, and to greater degrees in some European markets, we did see growth in categories which benefited us, but our market entry has been more concentrated on online channels while brick and mortar stores remained closed, or partially closed.

According to the Office for National Statistics, GDP of the United Kingdom (the "**U.K.**") is estimated to have grown by 0.8% in May 2021, marking the fourth consecutive month of growth. This however is still below the pre-pandemic levels of approximately 3.1% seen in February 2020. Economic recovery in Europe overall has varied from country to country based on a multitude of factors.

Similar to the U.S. small household appliance market, the European market sees noticeable changes in 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 aesthetic appearance and the rise of Internet of Things technology.

Other Markets

In the first half of 2021, the Group also reported strong growth in other markets, particularly in Japan where we have launched several cleaning appliances designed specifically for Japan, which have been widely embraced by consumers.

FINANCIAL REVIEW

Overall performance

During the Reporting Period, the total revenue of the Group was US$2,239.4 million, representing a year-on-year increase of 47.8%. Gross profit was US$908.4 million, representing a year-on-year increase of 37.3%. Gross profit margin was 40.6%, decreased by 3.1% as compared to 43.7% year-on-year. Profit for the Reporting Period increased by 104.0% year-on-year to approximately US$217.7 million. Profit attributable to owners of the parent increased by approximately 136.4% year-on-year to approximately US$193.4 million. EBITDA[10] for the Reporting Period grew by 34.4% year-on-year to approximately US$336.2 million, and adjusted EBITDA[11] for the Reporting Period increased by 48.9% year-on-year to approximately US$350.5 million. Adjusted net profit[12] for the Reporting Period increased by 80.1% year-on-year to approximately US$241.8 million.

Revenue

For the Reporting Period, the Group recorded a total revenue of US$2,239.4 million (2020: US$1,514.7 million), representing a year-on-year increase of 47.8%.

The following table sets forth the breakdown of the Group's revenue by business segment:

	For the six months ended June 30,			
	2021		2020	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
SharkNinja segment	**1,596.4**	**71.3**	890.3	58.8
Joyoung segment	**643.0**	**28.7**	624.4	41.2
Total	**2,239.4**	**100.0**	1,514.7	100.0

[10] EBITDA is defined as profit before taxation plus finance costs, depreciation and amortization, less interest income. For a reconciliation of profit before tax for the periods to EBITDA as defined, see "— Non-IFRS Measures" below.

[11] For a reconciliation of EBITDA for the Reporting Period to adjusted EBITDA as defined, see "— Non-IFRS Measures" below.

[12] Adjusted net profit is defined as profit for the year adjusted for certain items that do not affect the Company's ongoing operating performance, including items arising from acquisition and relating to the reorganization in preparation for the Global Offering (as defined below and non-recurring items and items not related to the Company's ordinary course of business (each without considering tax effect). For a reconciliation of profit for the periods to Adjusted profit, see "— Non-IFRS Measures" below.

The SharkNinja segment represents the Group's SharkNinja business unit, which distributes its products in the U.S., Europe and other markets around the world and is primarily focused on cleaning appliances and kitchen appliances. The Joyoung segment represents the Group's Joyoung business unit, which focuses on kitchen and cleaning appliances.

During the Reporting Period, revenue from the SharkNinja segment was US$1,596.4 million (2020: US$890.3 million), growing by approximately 79.3% year-on-year and accounting for approximately 71.3% of the total revenue of the Group. Revenue from the Joyoung segment amounted to US$643.0 million (2020: US$624.4 million), growing by approximately 3.0% year-on-year and accounting for approximately 28.7% of the total revenue of the Group.

The revenue growth of the SharkNinja segment was attributable to continued market share growth in existing product categories including corded and cordless vacuum cleaners, robotic vacuum cleaners, motorized blenders and heated kitchen appliances, along with the successful launch of products into new categories in 2020 that have provided year-on-year growth during the first half of 2021 including the Shark VacMop and Ninja Foodi Neverstick Cookware. In addition, the continued international expansion of the SharkNinja segment within Europe and other regions provided significant growth during the first half of 2021. The strength of the Shark and Ninja brands continues to enable both new category entry in existing markets, and further penetration into new markets. Growth in both cleaning appliances and cooking appliances was further aided by the continued "stay-at-home economy" with our ability to continuously bring innovative new products to market in North America, Europe and other markets while at the same time navigating significant supply chain challenges has enabled us to further enhance our relationships with retailers and our brand reputation with consumers in order to gain market share in both existing and new product categories.

The revenue growth achieved by the Joyoung segment was primarily attributable to the launch of new products, further expansion of market share of core product categories and diversified marketing strategies adopted for different products and consumer groups.

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

	For the six months ended June 30,			
	2021		2020	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
Shark	**873.8**	**39.0**	590.0	39.0
Ninja	**736.8**	**32.9**	319.5	21.0
Joyoung	**628.8**	**28.1**	605.2	40.0
Total	**2,239.4**	**100.0**	1,514.7	100.0

During the Reporting Period, total revenue generated by the Shark brand was approximately US$873.8 million (2020: US$590.0 million), representing a year-on-year increase of approximately 48.1%. The increase was attributable to growth in all areas of the cleaning appliances category including corded vacuums, cordless vacuums, robotic vacuums and hard floor cleaners including steam mops. Cordless vacuums delivered significant growth across all major regions, North America, Europe, and other markets including Japan. Success in robotic vacuums was primarily driven by North American channels, and strong consumer reception to our advanced navigation robotic vacuums. Hard floor cleaning continued to see strong demand for our steam cleaning products globally, while the newly launched VacMop continued to gain traction, which is a cordless vacuum combining powerful suction for dry debris and spray mopping for wet stuck on messes in one no-touch disposable pad.

During the Reporting Period, total revenue generated by the Ninja brand was approximately US$736.8 million (2020: US$319.5 million), representing a year-on-year increase of approximately 130.6%. The increase was primarily attributable to an expanded assortment in North America, new product launches, and entry into new European markets. Specifically, new product launches within food preparation appliances and cooking appliances have driven significant growth in the first half of 2021.

During the Reporting Period, total revenue generated by the Joyoung brand was approximately US$628.8 million (2020: US$605.2 million), representing a year-on-year increase of approximately 3.9%. The increase was primarily attributable to the launch of new products, the expansion of market share of core product categories and diversified marketing strategies adopted for different products and consumer groups.

The following table sets forth the breakdown of the Group's revenue by geography:

	For the six months ended June 30,			
	2021		2020	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
North America	**1,261.0**	**56.3**	724.8	47.9
China	**626.9**	**28.0**	612.9	40.5
Europe	**279.9**	**12.5**	143.8	9.5
Other markets	**71.6**	**3.2**	33.2	2.1
Total	**2,239.4**	**100.0**	1,514.7	100.0

During the Reporting Period, total revenue generated from North America was approximately US$1,261.0 million (2020: US$724.8 million), representing year-on-year growth of 74.0%. The growth was driven by success across all product categories along with the year on year benefit of new product categories launched throughout 2020. In addition, we experienced growth in SharkNinja's direct to consumer business following site optimization efforts and media investment. Growth was further aided by the sustained overall demand for cooking and cleaning appliances in the new "stay-at-home economy" while we worked to further improve our brand reputation and retailer relationships in order to gain market share.

During the Reporting Period, total revenue generated from China was approximately US$626.9 million (2020: US$612.9 million), representing a year-on-year increase of approximately 2.3%. The increase in China was primarily attributable to the launch of new products, with a series of creative, adorable and stylish products released in good time to satisfy consumers' lifestyle, cooking and cleaning demands, and the further expansion of core products' prevailing market sales price range. However, due to the macro environment that the overall demand of the small household appliance industry slowed down and offline channels were affected, the small household appliance industry in China encountered temporary challenges.

During the Reporting Period, total revenue generated from Europe was approximately US$279.9 million (2020: US$143.8 million), representing a strong year-on-year growth of 94.6%. With improved brand recognition driven by successful marketing campaigns, we were successful in obtaining additional retailer shelf space in the U.K. market, while seeing continued success of Anti-Hair Wrap vacuums, including corded upright vacuums and cordless vacuums, combined with growth in cooking appliances. Meanwhile, the penetration of the e-commerce business in the European market continued to increase, and the Group remains on track with regards to its expansion plans into Germany and France. Despite challenging conditions throughout the pandemic, we have been successful in launching a direct sales business in both Germany in France and have secured product placements at key retailers in both countries. We have begun to make advertising investments in those countries in order to grow our brand awareness and revenue in those markets.

During the Reporting Period, total revenue generated from other markets was approximately US$71.6 million (2020: US$33.2 million), representing a year-on-year growth of 115.7%, driven primarily by the Japanese and Israeli markets.

The following table sets forth the breakdown of the Group's revenue by product category:

	For the six months ended June 30,			
	2021		2020	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
Cleaning appliances	**865.6**	**38.7**	586.4	38.7
Cooking appliances	**785.7**	**35.0**	449.6	29.7
Food preparation appliances	**486.0**	**21.7**	398.7	26.3
Others	**102.1**	**4.6**	80.0	5.3
Total	**2,239.4**	**100.0**	1,514.7	100.0

Cleaning appliances include upright vacuums, robotic vacuums, cordless and corded stick vacuums and other floor care products. Cooking appliances include rice cookers, pressure cookers, induction cookers, air fryers, countertop grills and ovens, coffee and tea makers and other appliances and utensils for cooking.

Food preparation appliances include high-performance multifunctional blenders, soymilk makers, food processors and other small household appliances that facilitate the food preparation process. Others product category includes small household appliances, such as water purifiers, ventilators, water heaters, air purifiers, garment care and thermos.

During the Reporting Period, cleaning appliances remained the Group's largest product category, with revenue contribution remaining at 38.7% for the Reporting Period. The cleaning category grew by 47.6% year-on-year to US$865.6 million. The growth of cleaning category was primarily attributable to the Shark brand noted above due to market share growth within existing product categories within North America and the U.K. and expansion into new product categories in 2020 and 2021, which were further aided by year-on-year category growth.

The cooking category grew by 74.8% year-on-year to US$785.7 million during the Reporting Period. This was driven by the continued success of SharkNinja's Foodi family of products which include the Ninja Foodi Grill, Digital Air Fry Oven and Deluxe Pressure Cooker & Air Fryer. We have continued to gain market share within North America and Europe in the first half of 2021 as a result of successful new product launches over the course of the past several years included in 2020 and 2021.

During the Reporting Period, food preparation appliances recorded revenue growth of 21.9%, with the revenue of US$486.0 million. The growth was primarily attributable to strong demand for Ninja's motorized blender products including a new series launched in the second half of 2020, in addition to the application of creative products and technologies to the lower end and the expansion to the prevailing market price range, coupled with the relatively strong growth of the Group's food preparation product categories, such as high-performance multifunctional blenders.

During the Reporting Period, others product category recorded a year-on-year growth of 27.6% to approximately US$102.1 million, which was mainly driven by the cookware series in China's market, with products such as milk pots being well received.

OTHER FINANCIAL INFORMATION

Cost of sales

For the Reporting Period, the cost of sales of the Group was approximately US$1,331.0 million (2020: US$852.9 million), representing a year-on-year increase of approximately 56.1%. The increase was primarily attributable to increased sales as well as other factors impacting our cost of sales as described further below.

The following table sets forth the breakdown of the cost of sales of the Group by business segment:

	For the six months ended June 30,			
	2021		2020	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
SharkNinja segment	**904.1**	**67.9**	435.0	51.0
Joyoung segment	**426.9**	**32.1**	417.9	49.0
Total	**1,331.0**	**100.0**	852.9	100.0

For the Reporting Period, the SharkNinja segment recorded a total cost of sales of approximately US$904.1 million (2020: US$435.0 million), representing a year-on-year increase of approximately 107.8%. The increase was primarily the result of increased sales along with higher ocean freight costs, higher product costs as a result of foreign currency and raw material fluctuations and tariffs imposed. In addition, we recorded US$38.1 million of tariff refunds in the first half of 2020 that related to tariffs paid for and recognized during 2019, which resulted in a reduction of cost of sales in the first half of 2020.

For the Reporting Period, the Joyoung segment recorded a total cost of sales of approximately US$426.9 million (2020: US$417.9 million), representing a year-on-year increase of approximately 2.2%. The increase was primarily attributable to the revenue growth.

As a result of the trade war between the U.S. and China, we had been paying 25% tariffs on vacuums and air fryers made in China and imported into the U.S. until exclusions on tariffs for many of those products were announced in 2019 and 2020, leading to the tariff refunds the Group obtained in the past. Those tariff exclusions expired on December 31, 2020 and we have been paying 25% tariffs on all vacuums and air fryers imported into the U.S. from China since that date, which has contributed to higher costs of sales during the first half of 2021.

Gross profit

For the Reporting Period, the gross profit of the Group was approximately US$908.4 million (2020: approximately US$661.8 million), representing a year-on-year increase of approximately 37.3%. The increase was primarily attributable to the significant increase in revenue.

	For the six months ended June 30,			
	2021		2020	
	Gross Profit	**Gross Margin %**	Gross Profit	Gross Margin %
	(in US$ million, except percentages)			
SharkNinja segment	**692.4**	**43.4**	455.3	51.1
Joyoung segment	**216.0**	**33.6**	206.5	33.1
Total	**908.4**	**40.6**	661.8	43.7

The gross profit margin for the Reporting Period was 40.6%, representing a decrease of 3.1% from 43.7% for the six months ended June 30, 2020. The decrease in gross profit margin was mainly due to the non-recurring tariff refunds of US$38.1 million which were recorded in the first of half of 2020 that related to tariffs paid for and recognized during 2019. If not for those refunds, our gross profit margin would have been 41.2% in the first half of 2020, resulting in a 0.6% decrease in gross profit margin during the first half of 2021 as compared to the first half of 2020[13].

The gross profit of SharkNinja segment for the Reporting Period increased by 52.1%, and its gross profit margin decreased from 51.1% for the six months ended June 30, 2020 to 43.4% for the Reporting Period. The decrease in gross profit margin was due in part to the non-recurring tariff refunds of US$38.1 million which were recorded in the first of half of 2020 that related to tariffs paid for and recognized during 2019. If not for those refunds, the gross profit margin of the SharkNinja segment would have been 46.9% in the first half of 2020, resulting in a 3.5% decrease in gross profit margin in the first half of 2021 as compared to the first half of 2020[14]. The remaining decrease in gross profit margin was the result of higher ocean freight costs, higher product costs as a result of foreign currency and raw material fluctuations and increased tariffs. We have been able to partially mitigate the impact of those external factors by finding product cost savings opportunities through synergies between the SharkNinja and Joyoung segments and by raising our selling prices where appropriate.

13 Compared to the same period in 2019, the total gross profit margin for the Group rose by 3.2% in the first half of 2021.

14 Compared to the same period in 2019, the gross profit margin for SharkNinja segment rose by 3.0% in the first half of 2021.

The gross profit margin of Joyoung segment increased from 33.1% for the six months ended June 30, 2020 to 33.6% for the Reporting Period, mainly due to the change of product mix.

Other income and gains

Other income and gains of the Group primarily include (i) gain on financial assets at their fair value, (ii) government grants (mainly relating to research and promotion activities, innovation and patents); and (iii) bank interest income.

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

	For the six months ended June 30,	
	2021	2020
	(in US$ million)	
Other income		
Bank interest income	**4.9**	4.8
Net rental income from investment property operating leases	**—**	0.4
Government grants	**11.1**	4.9
Others	**0.3**	1.0
Subtotal	**16.3**	11.1
Gains		
Gain on financial assets at fair value through profit or loss, net	**6.9**	3.3
Others	**4.8**	1.3
Subtotal	**11.7**	4.6

For the Reporting Period, other income and gains of the Group was approximately US$28.0 million (2020: US$15.7 million), representing a year-on-year increase of approximately 78.3%. The increase was primarily due to the government grants received by the Joyoung segment in the first half of 2021.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of (i) advertising expenses; (ii) warehousing and transportation expenses for sales of products; (iii) staff cost in relation to sales and distribution staff; (iv) trade marketing expenses in relation to marketing and branding expenses primarily at sales channel; (v) business development expenses; and (vi) office expenses and others.

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

	For the six months ended June 30,	
	2021	2020
	(in US$ million)	
Advertising expenses	**142.5**	82.8
Warehousing and transportation expenses	**104.0**	51.5
Trade marketing expenses	**63.3**	44.4
Staff cost	**44.3**	37.9
Business development expenses	**7.9**	6.9
Office expenses and others	**16.3**	20.4
Total	**378.3**	243.9

The Group's selling and distribution expenses increased by approximately 55.1% year-on-year from approximately US$243.9 million for the six months ended June 30, 2020 to approximately US$378.3 million for the Reporting Period, which was mainly due to the increase in advertising expenses, warehousing and transportation expenses and trade marketing expenses as a result of the sales growth and launch of new categories and markets during the period.

Administrative expenses

Administrative expenses primarily consist of (i) staff cost in relation to product development and administrative staff; (ii) depreciation and amortization; (iii) professional service fees primarily consisting of (a) legal fees, (b) tax, audit and advisory fees, and (c) engineering consulting fees; (iv) office expenses; and (v) other expenses.

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

	For the six months ended June 30,	
	2021	2020
	(in US$ million)	
Staff cost	**143.4**	119.4
Professional service fees	**29.0**	27.5
Depreciation and amortization	**31.4**	29.8
Office expenses	**12.4**	10.2
Other	**50.0**	33.4
Total	**266.2**	220.3

The Group's administrative expenses increased by approximately 20.8% year-on-year from approximately US$220.3 million for the six months ended June 30, 2020 to approximately US$266.2 million for the Reporting Period. This represents a significant leveraging of our administrative expense base, as we sought to control expenses and invest responsibly. The increase was primarily attributable to headcount investments within new product development and international expansion.

Finance costs

Finance costs primarily represent (i) interest expenses on bank loans; (ii) interest expenses on lease liabilities; (iii) amortization of deferred finance costs, representing amortization of various fees associated with the bank loans; and (iv) other finance costs.

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

	For the six months ended June 30,	
	2021	2020
	(in US$ million)	
Interest on bank loans	**9.9**	21.5
Interest on lease liabilities	**1.6**	1.6
Amortization of deferred finance costs	**2.1**	32.4
Other finance costs[15]	**0.1**	3.6
Total	**13.7**	59.1

Finance costs of the Group decreased by approximately 76.8% year-on-year from approximately US$59.1 million for the six months ended June 30, 2020 to approximately US$13.7 million for the Reporting Period. The decrease was primarily attributable to the combined effect of lowered interest on bank loans and the non-recurring acceleration of the amortization of deferred finance cost in 2020, as the Group refinanced its credit facilities in the first half of 2020 lowering interest expense for future periods.

Income tax

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which its entities are domiciled and operate. Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2020: 25%) on their respective taxable income. During the period, five (2020: two) of the Group's entities obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

During the Reporting Period, the Group's subsidiaries in the U.S. were subject to the U.S. federal income tax at the rate of 21.0%, and to various U.S. state income taxes at rates ranging from 0.38% to 11.5%.

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime.

Income tax expense of the Group increased by approximately 42.8% year-on-year from approximately US$36.9 million for the six months ended June 30, 2020 to approximately US$52.7 million for the Reporting Period. The increase was primarily attributable to the increase of profit before tax during the period.

Net profit

As a result of the foregoing reasons, net profit for the Group increased by approximately 104.0% from approximately US$106.7 million for the six months ended June 30, 2020 to approximately US$217.7 million for the Reporting Period.

15 Other finance costs primarily include transaction fees for bill discounting.

NON-IFRS MEASURES

To supplement the Group's consolidated statements of profit or loss which are presented in accordance with IFRS, the Group also uses adjusted net profit, EBITDA and adjusted EBITDA as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Group believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provide useful information to potential investors and management in facilitating a comparison of the Group's operating performance from period to period by eliminating potential impacts of certain items that do not affect the Group's ongoing operating performance, including expenses arising from the acquisition of SharkNinja and the reorganization (the "**Reorganization**") in preparation for the global offering of the Company in 2019 (the "**Global Offering**"), 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 the Group's management in evaluating the Group's performance. From time to time in the future, there may be other items that the Group may exclude in reviewing the Group's financial results. The use of the non-IFRS measures has limitations as an analytical tool, and it should not be considered in isolation from, or as a substitute for or superior to analysis of, the Group's 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 the Group's adjusted net profit, EBITDA and adjusted EBITDA:

	For the six months ended June 30,	
	2021	2020
	(in US$ million)	
Profit for the period	**217.7**	106.7
Add:		
Items arising from acquisition and relating to the Reorganization	***9.8***	13.1
Amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja	9.8	13.1
Non-recurring items and items not related to the Company's ordinary course of business	***14.3***	14.5
Stock-based compensation	17.3	25.5
Tariff refunds	—	(38.1)
Acceleration of the amortization of deferred finance cost[16]	—	29.3
Gain on disposal of property, plant and equipment, investment property, associates and subsidiaries	(1.1)	(0.5)
Gain on fair value change from equity investments	(1.9)	(1.7)
Adjusted net profit	**241.8**	134.3
Attributable to:		
Owners of the parent	**215.0**	108.7
Non-controlling interests	**26.8**	25.6
	241.8	134.3

[16] One-off expense for the acceleration of the amortization of deferred finance cost due to the replacement of credit facilities.

	For the six months ended June 30,	
	2021	2020
	(in US$ million)	
Profit before tax	270.4	143.6
Add:		
Finance cost	13.7	59.1
Depreciation and amortization	57.0	52.3
Bank interest income	(4.9)	(4.8)
EBITDA	336.2	250.2
Add:		
Non-recurring items and items not related to the Company's ordinary course of business	**14.3**	**(14.8)**
Stock-based compensation	17.3	25.5
Tariff refunds	—	(38.1)
Gain on disposal of property, plant and equipment, investment property, associates and subsidiaries.	(1.1)	(0.5)
Gain on fair value change from equity investments	(1.9)	(1.7)
Adjusted EBITDA	**350.5**	235.4

The non-IFRS measures used by the Group adjusted for, among other things, (i) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja, (ii) stock-based compensation, (iii) tariff refunds, (iv) acceleration of the amortization of deferred finance cost, (v) gain on disposal of property, plant and equipment, investment property, associates and subsidiaries, and (vi) gain on fair value change from equity investments, which may be considered recurring in nature but are neither considered by the Group as related to the Group's ordinary course of business nor indicative of the Group's ongoing core operating performance. Therefore, the Group believes 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 the Group's core operating results and financial performance, so that potential investors can assess the Group's underlying core performance undistorted by items unrelated to the Group's 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.

Liquidity and financial resources

Inventory

The Group's inventory increased by 24.6% from approximately US$575.5 million as of December 31, 2020 to approximately US$716.9 million as of June 30, 2021. Inventory turnover days[17] in the first half of 2021 was 87 days, compared to 71 days in 2020. The increase in inventory turnover days was primarily due to seasonality, since second half year sales are typically higher than the first half, leading to higher inventory balances as of June 30, 2021.

Trade and bills receivables

The Group's trade receivables decreased by 33.1% from approximately US$1,203.5 million as of December 31, 2020 to approximately US$805.3 million as of June 30, 2021. Such decrease was primarily attributable to seasonality of our business with the second half of the year normally outperforms the first half in North America, Europe and China. Trade receivables turnover days[18] decreased from 86 days in 2020 to 81 days in the first half of 2021.

Trade and bills payables

The Group's trade payables decreased by 21.3% from approximately US$885.3 million as of December 31, 2020 to approximately US$697.0 million as of June 30, 2021. Such decrease was primarily attributable to seasonality of our business. Trade payables turnover days[19] increased from 104 days in 2020 to 107 days in the first half of 2021.

During the Reporting Period, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from (i) bank borrowings; and (ii) cash generated from operations.

As of June 30, 2021, the Group had cash and cash equivalents of approximately US$609.4 million as compared to US$570.8 million as of December 31, 2020. The cash and cash equivalents of the Group are mainly denominated in HK$, RMB and US$.

17 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.

18 Average trade and bills receivables equal trade and bills receivables at the beginning of the period plus trade and bills receivables at the end of the period, divided by two. Turnover of average trade and bills receivables equals average trade and bills receivables divided by revenue and then multiplied by the number of days in the period.

19 Average trade and bills payables equal trade and bills payables at the beginning of the period plus trade and bills payables at the end of the period, divided by two. Turnover of average trade and bills payables equals average trade and bills payables divided by cost of sales and then multiplied by the number of days in the period.

As of June 30, 2021, the Group's total borrowings amounted to approximately US$902.6 million, representing a decrease of approximately 3.9% compared to approximately US$939.4 million as of December 31, 2020. As of June 30, 2021, all of the Group's borrowings were denominated in US$, and the borrowings interest rates were based on floating interest rates.

The following table sets forth a breakdown of the bank borrowings of the Group as of June 30, 2021.

	As of June 30, 2021 *(in US$ million)*
Interest-bearing bank borrowings (current portion)	**72.4**
Interest-bearing bank borrowings (non-current portion)	**830.2**
Total	**902.6**

The table below sets forth the aging analysis of the repayment terms of bank borrowings as of June 30, 2021.

	As of June 30, 2021 *(in US$ million)*
Repayable within one year	**72.4**
Repayable within one to two years	**109.6**
Repayable within two to five years	**720.6**
Total	**902.6**

As of June 30, 2021, the Group had total bank facilities of approximately US$1,162.5 million (2020: approximately US$1,200.0 million), of which bank facilities of approximately US$250.0 million were unutilized (2020: approximately US$250.0 million).

Gearing ratio

As of June 30, 2021, the Group's gearing ratio (calculated as the total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity) was 53.7%, representing a slight increase of 0.8% as compared with 52.9% as of December 31, 2020. The increase was primarily attributable to combined effect of decrease of total debt and equity.

Foreign exchange risk

The Group's currency exposures arise from sales or purchases by business units in currencies other than their respective functional currencies.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency exchange rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As the borrowings of the Group are preliminarily denominated in US$, the interest rates on its borrowings is primarily affected by the benchmark interest rates set by LIBOR.

The Group manages its interest rate risk by closely monitoring and regulating the debt portfolio of the Group and will consider entering into interest rate swap contracts should the need arise.

Charge on assets

As of June 30, 2021, certain equity interests in the Group's subsidiaries and certain deposits had been pledged to secure the Group's borrowings of a total amount of US$902.6 million. As of June 30, 2021, the total pledged assets accounted for approximately 56.1% of the total assets of the Group.

Capital expenditures

The capital expenditure of the Group 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. For the Reporting Period, capital expenditures of the Group amounted to approximately US$53.9 million (2020: US$73.5 million).

Contingent liabilities

As of June 30, 2021, the Group did not have any significant contingent liabilities.

PROSPECT & STRATEGY

Growth Strategies

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

- Develop and commercialize innovative products, combining powerful technology with appealing designs;

- Drive sustainable long-term growth through sales network and product category expansion;

- Maximize synergies between the Joyoung segment and the SharkNinja segment;

- Strengthen the Group's brand recognition and enhance consumer engagement; and

- Pursue strategic partnerships and acquisitions.

With respect to growth through our sales network, in the first half of 2021, we focused on expanding internationally including further growth within the U.K. and Japan, and successfully tapped into the Germany and France, working with major retailers in these countries to have the products placed through local sales teams.

With regards to product innovation, we continually seek to expand the product portfolio within the categories that we are already in. In addition, we plan to expand into new categories, including the personal care category and cutlery, in addition to air purifiers and the Ninja CREAMi ice cream maker which were launched in the first half of 2021. We also plan to continue to develop new products within existing categories including additional cookware products, new products within the Ninja Foodi series, a new series of robotic vacuums and a new series of cordless vacuums.

We also focus on continuing to drive synergies between SharkNinja and Joyoung businesses on both the cost side and the sales side. With respect to the cost side, the supply chain and engineering teams have been working closely to identify common materials and components used by both businesses in order to use combined volumes to negotiate for lower costs. In addition, end suppliers are being shared by both segments in order to increase the total number of suppliers available to both segments and help to create a more competitive supplier landscape. On the sales side, we continue to expand the product portfolio under the Shark brand in China.

The core competitiveness of Joyoung is mainly reflected in the advantages of mid-to-high-end, all-category and multi-brand positionings; the nationwide online and offline sales network, especially the new retail channels represented by retail stores "Shopping Mall" and the operational advantages of content e-commerce; the product advantages of insight into consumer needs and focusing on the core mainstream category innovation; and the use of digital middle platform to explore the value of big data and strengthen the advantages of digital operation.

Impact of COVID-19

The COVID-19 outbreak has caused a global health emergency that has impacted our business in a number of ways. The health and safety of our employees and their families, suppliers and other business partners and customers has been and will continue to be our top priority throughout this pandemic so we have proactively implemented preventative health measures. Although the COVID-19 vaccine is now available, the duration of the COVID-19 outbreak is uncertain at this time and its full impact is not yet known. From the second quarter of 2020, the COVID-19 outbreak was under control in China and offline stores re-opened and were back to normal operation. In the U.S. and Europe, we expect people to return to pre-pandemic routines in the second quarter of 2021 as vaccines were rolled out.

Throughout the pandemic, a higher percentage of our sales in North America and Europe were done through online channels rather than offline channels. Supported by its strong omni-channel advantage, SharkNinja met the needs of consumers through its existing e-commerce platforms and relationships with online retailers. As vaccines were made available and infection rates began declining in North America and Europe, people began to return to their previous shopping habits including a return to offline retailers. As sales shift between online and offline channels, the SharkNinja segment will continue to have its products placed wherever consumers choose to shop.

As the vaccination rate in China increases and the awareness of personal protection increases, we believe the epidemic will eventually end and the domestic small home appliance innovation will continue to lead the global market. As a leading brand in the domestic small home appliance industry, Joyoung will continue to insist on innovation, actively grasp the growth trend, develop and innovate more new categories to meet the market demand, devote itself to entering new fields such as cleaning small home appliances, and devote itself to building the company into a full category of high-quality small home appliance leader.

Moving forward, there are still inherent uncertainties about the future impacts of COVID-19. However, we firmly believe that no matter how the macro market environment changes, we will always adhere to research and development and innovation in both existing and new categories to offer better small household appliances solutions to consumers, thus maintaining our rapid growth in the industry.

Global Supply Chain Dynamics

Starting from the second half of 2020 and continuing into the first half of 2021, we saw a number of disruptions to the global supply chain which have impacted our business. Businesses slowed down their purchasing and imports in the first half of 2020 when the COVID-19 pandemic began, which resulted in a large influx of imports in the second half of 2020. Due to these circumstances, we saw an increase in global ocean freight costs, and an overall shortage of containers needed to ship our goods from China and other countries to North America, Europe and other markets. As demand has remained strong in the first half of 2021, we have seen a shortage of shipping containers, congestion and back up at ports, and rising ocean freight costs. We believe these increased ocean freight costs will continue to impact our gross profit margin in the second half of 2021 and we may also face difficulties in importing enough product to meet demand in the second half of 2021 as well.

We are also seeing rising commodities and component prices as well as a shortage of certain key commodities and components that are needed to manufacture our products. During the first half of 2021, we were able to manage through these headwinds and secure the majority of the products that we needed to meet our demand around the world. However, we believe increased costs for commodities and key components will continue to impact our gross profit margin in the second half of 2021 and we may also face difficulties in securing an adequate supply of commodities and key components to meet the demand for our products.

Go-Forward Impact of Trade War

As a result of increased tariffs on goods imported from China into the U.S. as well as the desire to further diversify our supply chain, we have begun to source finished goods from outside of China with suppliers in Vietnam and Thailand. While we have paid higher prices to produce those goods than we had been paying to source those goods in China, there is still a substantial cost savings that come from mitigating the imposition of 25% tariffs on a number of the product categories which we sell in the U.S., and we are working with our suppliers to improve supply chain efficiency in order to reduce those costs moving forward. While we had exclusions on those tariffs across most of the impacted product categories during 2020, the tariff exclusions expired since December 31, 2020. While there is a possibility that those exclusions could be reinstated, we are maintaining our focus on shifting production out of China and working on initiatives to lower our product cost on those goods due to the continued uncertainty regarding the trade war between the U.S. and China.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since December 18, 2019. Net proceeds from the global offering (after the full exercise of the over-allotment option) received by the Company were approximately US$354 million after deducting the underwriting fees and commission and relevant expenses.

As of June 30, 2021, all of the net proceeds had been utilized in line with the proposed use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated December 9, 2019 (the "**Prospectus**").

The following table sets forth a breakdown of the utilization of the net proceeds as of June 30, 2021:

Purpose	**Percentage of total amount** *(approx.)*	**Net proceeds** *US$ million*	**Utilised amount** *US$ million*
1. Repayment of bank loan	50%	178	178
2. Research and development of new products and integration and development of the Company's supply chain	20%	71	71
3. Market expansion and brand enhancement	20%	71	71
4. Working capital and general corporate purposes	10%	34	34
Total	100%	354	354

The net proceeds have been used up according to the purposes as stated in the Prospectus, and there are no material change in the use of proceeds.

USE OF PROCEEDS FROM THE PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE

For the purposes of (i) repayment of revolving credit facilities and/or for research; (ii) research and development expenses for technology upgrade in existing product lines and ongoing new products development; and (iii) increasing brand awareness and expanding online market channels, as well as obtaining retailer shelf space in the new markets in Europe and Asia, the Company and Easy Home Limited entered into a placing and subscription agreement with China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited (the "**Placing Managers**") on September 24, 2020 (the "**Placing and Subscription**"). Pursuant to the placing and subscription agreement, the Placing Managers will have procured on a best effort basis purchasers to purchase, an aggregate of 109,226,000 shares of the Company at the price of HK$14.12 per share to no less than six placees which are professional, institutional and/or individual investors. The closing price of the share of the Company on September 23, 2020, being the last trading day prior to the date of the placing and subscription agreement, was HK$16.04. On September 28, 2020, an aggregate of 109,226,000 shares of the Company have been successfully placed at the price of HK$14.12 per share. Subsequently, a total of 76,458,000 ordinary shares of the Company with a nominal value of US$0.00001 each were issued upon completion of the subscription to Easy Home Limited (with an aggregate nominal value of US$764.58) on October 6, 2020.

The net proceeds received by the Company from the Placing and Subscription was approximately HK$1,070,423,400. The net subscription price, after deducting such fees, costs and expenses, was therefore approximately HK$14.00 per subscription share. Details are set out in the announcements issued by the Company dated September 24, 2020 and October 6, 2020.

As at June 30, 2021, (i) approximately HK$904 million of the net proceeds had been utilized in line with the proposed use of proceeds as set out in the announcement of the Company dated October 6, 2020; and (ii) unutilized proceeds of approximately HK$166 million were deposited with a licensed bank.

The following table sets forth a breakdown of the utilization and proposed utilization of net proceeds as of June 30, 2021:

Purpose	Percentage of total amount *(approx.)*	Net proceeds *HK$ million*	Utilised amount *HK$ million*	Unutilised amount *HK$ million*	Expected timeline for usage of proceeds
1. Partial repayment of an existing revolving credit facility as a part of the facilities in the aggregate amount of USD1,200,000,000 due 2025	36%	390	390	—	—
2. Committing research and development expenses for technology upgrade in existing product lines and ongoing new products development	32%	340	174	166	By December 2021
3. Committing expenses such as increasing brand awareness and expanding online market channels, as well as obtaining retailer shelf space in the new markets in Europe and Asia	32%	340	340	—	—
Total	100%	1,070	904	166	

The net proceeds have been and will be used according to the purposes as stated in the announcement of the Company dated October 6, 2020, and there are no material change or delay in the use of proceeds.

CONTINUING CONNECTED TRANSACTIONS — SHANGHAI LIHONG CEASED TO BE A CONNECTED SUBSIDIARY OF THE COMPANY

Reference is made to the prospectus of the Company dated December 9, 2019 under the section headed "Connected Transactions", the announcements of the Company dated November 2, 2020, December 23, 2020 and March 31, 2021 (together the "**Announcements**") in relation to, among other things, revision of annual caps for the Purchasing Distribution Agreement and Commissioned Manufacturing Framework Agreement. Since Shanghai Lihong Enterprise Management Company Limited (上海力鴻企業管理有限公司) ("**Shanghai Lihong**") and its subsidiaries are connected subsidiaries of the Company under Rule 14A.16 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**"), therefore transactions contemplated under the Purchasing Distribution Agreement and the Commissioned Manufacturing Framework Agreement were subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is also made to the announcement of the Company dated April 6, 2021 in relation to the Share Purchase Agreement dated April 6, 2021 between JS Global Trading HK Limited (an indirect wholly-owned subsidiary of the Company) as purchaser; and the Controlling Shareholders Group, Shanghai Hezhou Investment Co., Ltd and the other individual shareholders (the "**Sellers**"). The Sellers collectively agreed to sell and the purchaser agreed to purchase the shares of Shanghai Lihong representing approximately 16.247% of the total issued shares of it (the "**Target Shares**").

Upon completion of the acquisition of Shanghai Lihong's, Shanghai Lihong becomes wholly-owned subsidiary of the Company Target Shares on June 10, 2021. Therefore, Shanghai Lihong therefore ceased to be a connected subsidiary of the Company. The transactions contemplated under the Purchasing Distribution Agreement and Commissioned Manufacturing Framework Agreement as stipulated in the Announcements ceased to be connected transactions under Chapter 14A of the Listing Rules.

As of June 10, 2021, the existing annual caps under the Purchasing Distribution Agreement and the Commissioned Manufacturing Framework Agreement of RMB250 million and RMB1,100 million, respectively, had not been exceeded.

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 "**Audit Committee**"), the remuneration committee and the nomination committee.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Dr. Wong Tin Yau Kelvin (Chairman), Mr. Timothy Roberts Warner and Mr. Yang Xianxiang, has discussed with the external auditor of the Company, Ernst & Young, and reviewed the Group's unaudited interim condensed consolidated financial information for the Reporting Period, including the accounting principles and practices adopted by the Group.

Ernst & Young, the external auditor of the Company, has reviewed the unaudited consolidated financial information of the Group for the Reporting Period in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2021, the Group had approximately 5,198 employees in total (as of December 31, 2020: 4,926), in which approximately 3,572 employees were with its operations in China, approximately 970 employees were with its operations in the U.S., and approximately 656 employees were with other countries, or region operations. For the Reporting Period, the Group recognized staff costs of US$187.7 million (2020: US$157.3 million).

The Group implements training programs for all of its 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 the Group's 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. The remuneration package for employees generally includes salary and bonuses. Employees typically receive welfare benefits, including medical care, pension, occupational injury insurance and other miscellaneous benefits.

In order to recognize and reward the management and employees of the Group 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 business, the Company adopted the restricted stock unit plan (the "**RSU Plan**") on October 9, 2019 (amended on December 14, 2020 and June 4, 2021, respectively), and (i) 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, which represent approximately 4.05% of the issued share capital of the Company as at the date of this announcement; (ii) issued and allotted 5,500,000 ordinary shares with a par value of US$0.00001 pursuant to the RSU Plan on

January 18, 2021, which represent approximately 0.16% of the issued share capital of the Company as at the date of this announcement. As of June 30, 2021, the Company had granted an aggregate of 133,195,737 restricted stock units, of which 16,351,623 and 17,989,208 restricted stock units were vested on April 29, 2021 and May 10, 2021, respectively, in accordance with the terms and conditions of the RSU Plan.

With the aim to further improving the corporate governance structure of Joyoung Co., Ltd. ("**Joyoung**"), establishing and enhancing the long-term incentive and constraint mechanism of Joyoung, attracting and retaining talents, the Company approved and adopted the share option incentive scheme of Joyoung (the "**Subsidiary Option Scheme**"). On June 1, 2021 following the registration on Shenzhen Stock Exchange, it has offered the first grant of 15,600,000 options pursuant to the Subsidiary Option Scheme to 107 eligible persons upon the approval of the Company's shareholders at the extraordinary general meeting of the Company held on May 28, 2021. For more details, please refer to the circular of the Company dated May 12, 2021 and the announcements of the Company dated May 28, 2021 and June 2, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company and management of the Group are committed to the maintenance of good corporate governance practices and procedures. During the Reporting Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1 of the CG Code — Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wang Xuning ("**Mr. Wang**") currently holds both positions.

After taking into consideration the factors below, the Board considers that vesting the roles of the Chairman and Chief Executive Officer in the same person, being Mr. Wang, is beneficial to the Group's business prospects and operational coordination between Joyoung and SharkNinja: Mr. Wang is responsible for formulating the overall business strategies and conducting general management of the Group. He has been the key person contributive to the development and business expansion of Joyoung since the invention of the soymilk maker in 1990s. Also, since the acquisition of SharkNinja, being the chairman of Joyoung and Global Chief Executive Officer of SharkNinja Global SPV Ltd. (the holding company of SharkNinja), 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 the Group operates, the Chairman and Chief Executive Officer need to have a profound understanding and be equipped with extensive industry knowledge to stay abreast of market changes, so as to facilitate the Group's business development.

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, which applies to the Directors and relevant employees of the Company who are likely to possess inside information in relation to the Company or its securities due to his/her office or employment.

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to June 30, 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

PUBLICATION OF 2021 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsgloballife.com). The 2021 interim report of the Company will be dispatched to the shareholders of the Company and published on the same websites in due course.

By order of the Board
JS Global Lifestyle Company Limited
Wang Xuning
Chairman

Hong Kong, August 30, 2021

As at the date of this announcement, the Board comprises Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling as executive Directors, Mr. Hui Chi Kin Max, Mr. Stassi Anastas Anastassov and Mr. Mao Wei as non-executive Directors and Dr. Wong Tin Yau Kelvin, Mr. Timothy Roberts Warner and Mr. Yang Xianxiang as independent non-executive Directors.