Vesync Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-
	2022	2021	year change
	US$'000	*US$'000*	
Revenue	**490,378**	454,250	8.0%
Gross profit	**142,289**	176,107	(19.2)%
Gross profit margin	**29.0%**	38.8%	(9.8) p.p.
Profit/(loss) before tax	**(21,841)**	51,009	(142.8)%
Profit/(loss) for the year attributable to owners of the parent	**(16,276)**	41,588	(139.1)%
Profit/(loss) margin	**(3.3)%**	9.2%	(12.5) p.p.
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic	**US(1.44) cents**	US3.68 cents	(139.1)%
Diluted	**US(1.44) cents**	US3.68 cents	(139.1)%

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of Vesync Co., Ltd (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2022.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended 31 December 2022:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**2022**	2021
		US$'000	*US$'000*
REVENUE	*4*	**490,378**	454,250
Cost of sales		**(348,089)**	(278,143)
Gross profit		**142,289**	176,107
Other income and gains	*4*	**4,042**	1,377
Selling and distribution expenses		**(89,239)**	(68,833)
Administrative expenses		**(69,591)**	(51,135)
Impairment losses on financial assets, net		**204**	(172)
Other expenses		**(8,032)**	(5,572)
Finance costs	*6*	**(1,691)**	(763)
Share of profits and losses of a joint venture		**177**	—
PROFIT/(LOSS) BEFORE TAX	*5*	**(21,841)**	51,009
Income tax expense	*7*	**5,524**	(9,421)
PROFIT/(LOSS) FOR THE YEAR		**(16,317)**	41,588
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of an associate		**(1,164)**	—
Exchange differences on translation of foreign operations		**(3,055)**	1,097
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(4,219)**	1,097
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(20,536)**	42,685

	Notes	2022 US$'000	2021 US$'000
Profit/(loss) attributable to:			
Owners of the parent		**(16,276)**	41,588
Non-controlling interests		**(41)**	—
		(16,317)	41,588
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(20,495)**	42,685
Non-controlling interests		**(41)**	—
		(20,536)	42,685
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**US(1.44 cents)**	US3.68 cents
Diluted	*9*	**US(1.44 cents)**	US3.68 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 US$'000	2021 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,557**	4,477
Right-of-use assets		**10,216**	12,398
Other intangible assets		**207**	288
Other non-current assets		**395**	478
Investment in a joint venture		**11,215**	12,202
Investment in an associate		**1,000**	—
Pledged deposits		**3,991**	560
Equity investments designated at fair value through other comprehensive income		**1,554**	—
Deferred tax assets		**28,094**	14,735
Total non-current assets		**61,229**	45,138
CURRENT ASSETS			
Inventories	*10*	**114,647**	128,547
Right-of-return assets		**3,216**	—
Trade and notes receivables	*11*	**149,217**	106,019
Prepayments, other receivables and other assets		**26,225**	21,721
Tax recoverable		**10**	968
Derivative financial assets		**—**	120
Pledged deposits		**9,149**	31,635
Cash and cash equivalents		**93,601**	126,659
Total current assets		**396,065**	415,669
CURRENT LIABILITIES			
Trade and notes payables	*12*	**60,751**	37,739
Other payables and accruals		**39,078**	36,945
Provision		**49,010**	1,931
Interest-bearing bank borrowings	*13*	**8,495**	34,900
Lease liabilities		**4,128**	4,098
Tax payable		**5,561**	17,084
Derivative financial liabilities		**1,229**	119
Total current liabilities		**168,252**	132,816
NET CURRENT ASSETS		**227,813**	282,853
TOTAL ASSETS LESS CURRENT LIABILITIES		**289,042**	327,991

	Notes	**2022** *US$'000*	2021 *US$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**289,042**	327,991
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**741**	—
Lease liabilities		**7,308**	9,538
Provision		**3,536**	3,815
Total non-current liabilities		**11,585**	13,353
Net assets		**277,457**	314,638
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,500**	1,503
Share premium		**186,955**	199,885
Reserves		**89,043**	113,250
		277,498	314,638
Non-controlling interests		**(41)**	—
Total equity		**277,457**	314,638

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKFRS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

	2022	2021
	US$'000	*US$'000*
North America	**366,182**	358,060
Europe	**107,946**	81,041
Asia	**16,250**	15,149
Total	**490,378**	454,250

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

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

	2022	2021
	US$'000	*US$'000*
North America	**5,597**	6,837
China	**25,306**	22,860
Europe	**92**	123
Other	**2,140**	583
Total	**33,135**	30,403

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

4. REVENUE, OTHER INCOME AND GAINS

Information about a major customer

Revenue of approximately US$405,097,000 for the year ended 31 December 2022 (2021: US$338,536,000) was derived from sales to a single retailer, including sales to a group of entities which are known to be under common control with that customer.

An analysis of revenue is as follows:

	2022	2021
	US$'000	*US$'000*
Revenue from contracts with customers	**490,378**	454,250

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

	2022	2021
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**490,378**	454,250

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

	2022	2021
	US$'000	*US$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of products	**1,044**	1,290

(ii) ***Performance obligations***

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

Sale of products

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

At 31 December 2022, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) ***Refund liabilities***

	2022	2021
	US$'000	*US$'000*
Refund liabilities arising from sales return	**6,940**	282
Refund liabilities arising from promotion rebates	**4,645**	8,214
	11,585	8,496

An analysis of other income and gains is as follows:

	2022	2021
	US$'000	*US$'000*
Other income		
Bank interest income	**775**	665
Government grants*	**2,562**	469
Others	**705**	203
	4,042	1,337
Gains		
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**—**	40
	4,042	1,377

* The government grants mainly represent subsidies from the local government to support their operation and to compensate the subsidies. During the year, the Group received forgiveness loan amounted US$928,000 under the Paycheck Protection Program and payroll tax credits amounted US$1,039,000 under Employee Retention Credit.

5. PROFIT BEFORE TAX

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

	Notes	**2022** **US$'000**	2021 US$'000
Cost of inventories sold		**235,781**	207,962
Amazon fulfilment fee		**963**	12,162
Commission to platform		**2,409**	12,839
Research and development costs*		**29,954**	17,308
Depreciation of property, plant and equipment		**2,172**	1,306
Amortisation of other intangible assets		**271**	510
Depreciation of right-of-use assets		**4,589**	4,048
Auditor's remuneration		**780**	780
Lease payments not included in the measurement of lease liabilities		**382**	2,323
Income/loss on disposal of items of property,plant and equipment		**(4)**	15
Interest income		**(775)**	(665)
Loss on disposal of derivative instruments		**2,436**	—
Fair value gains, net:			
— Derivative instruments — transactions not qualifying as hedges		**1,261**	(40)
Foreign exchange differences, net		**4,421**	4,190
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**51,538**	32,579
Pension scheme contributions		**7,249**	6,120
Staff welfare expenses		**5,757**	2,796
Equity-settled share award expense		**3,051**	950
		67,595	42,445
Impairment of trade receivables, net		**(204)**	172
Impairment of inventories, net**		**2,028**	1,625
Product warranty provision			
— Addition provision		**1,407**	958
Provisions arising from recall			
— Addition provision		**48,610**	—

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

** The net impairment of inventories is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	US$'000	*US$'000*
Interest on bank loans	**893**	88
Interest on lease liabilities	**653**	675
Interest on discounted bank notes and others	**145**	—
	1,691	763

7. INCOME TAX

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

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

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

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Mainland China

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

Shenzhen Chenbei is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% (2021: 15%) during the year.

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

Dongguan Zhilun is qualified as a small and low-profit enterprise and was entitled to a preferential income tax rate of 2.5% for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 5% for the taxable income between RMB1,000,000 and RMB3,000,000 during the year.

Macau

Macau profits tax has been provided at the rate of 12% (2021: 12%) on the estimated assessable profits arising in Macau during the year. The first MOP$600,000 of assessable profits of this subsidiary are tax-free and the remaining assessable profits are taxed at 12%.

United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% (2021: 21%) federal corporate income tax rate and 8.84% (2021: 8.84%) California state tax rate has been provided on the taxable income arising in the United States during the year.

Netherlands and Germany

The subsidiary in the Netherlands is entitled to a preferential income tax rate of 15% (2021: 15%) for the taxable income less than or equal to EUR395,000 and an income tax rate of 25.8% (2021: 25%) for the taxable income over EUR395,000. The subsidiary in Germany is entitled to a combined tax rate of 29.13% (2021: 29.13%), consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and a trade tax rate of 13.3%.

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

	2022	2021
	US$'000	*US$'000*
Current tax:		
— Mainland China	**853**	545
Charge for the year	**847**	264
Underprovision in prior years	**6**	281
— Hong Kong	**(498)**	—
Charge for the year	**453**	—
Overprovision in prior years	**(951)**	—
— Macau	**177**	2,658
— United States	**6,825**	3,148
Charge for the year	**7,229**	2,321
Overprovision in prior years	**(404)**	827
— Netherlands and Germany	**527**	804
— Others	**1**	—
Deferred tax	**(13,409)**	2,266
Total tax charge for the year	**(5,524)**	9,421

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

	2022	2021
	US$'000	*US$'000*
(Loss)/Profit before tax	**(21,841)**	51,009
Tax at the statutory tax rates	**2,518**	10,612
Preferential income tax rates applicable to subsidiaries	**(2,561)**	(1,743)
Expenses not deductible for tax	**87**	1,234
Income not subject to tax	**(1,337)**	—
Additional deduction allowance for research and development costs	**(3,370)**	(2,160)
Tax losses utilised from previous years	**(106)**	(47)
Recognition of tax losses previously not recognised	**(246)**	—
Adjustments in respect of current tax of previous period	**(1,349)**	1,108
Tax losses not recognised	**840**	417
Tax charge at the Group's effective rate	**(5,524)**	9,421

8. DIVIDENDS

	2022	2021
	US$'000	*US$'000*
Proposed final ordinary — Nil (2021: HK6.40 cents) per ordinary share	**—**	9,274
Proposed final special — Nil (2021: HK6.40 cents) per ordinary share	**—**	9,274
	—	18,548

The board of directors did not recommend the payment of any final dividend for the year ended 31 December 2022.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,128,921,068 (2021: 1,129,672,995) in issue during the year, as adjusted to reflect repurchase of shares during the year.

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

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

	2022	2021
	US$'000	*US$'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**(16,276)**	41,588

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	**1,128,921,068**	1,129,672,995
Effect of dilution — weighted average number of ordinary shares:		
Shares awarded	**4,038,012**	—
	1,132,959,080	1,129,672,995

10. INVENTORIES

	2022	2021
	US$'000	*US$'000*
Raw materials	**539**	596
Work in progress	**203**	450
Finished goods	**121,950**	133,518
	122,692	134,564
Less: Provision for inventories	**(8,045)**	(6,017)
	114,647	128,547

11. TRADE AND NOTES RECEIVABLES

	2022	2021
	US$'000	*US$'000*
Notes receivables	**137**	—
Trade receivables	**149,255**	106,398
Impairment of trade receivables	**(175)**	(379)
	149,217	106,019

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

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

	2022	2021
	US$'000	*US$'000*
Less than 3 months	**143,250**	104,089
Between 3 and 6 months	**1,019**	1,633
Between 6 and 12 months	**3,322**	210
Between 1 and 2 years	**1,626**	87
	149,217	106,019

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

	2022	2021
	US$'000	*US$'000*
At beginning of year	**379**	536
Impairment losses, net	**(204)**	172
Written-off	**—**	(329)
At end of year	**175**	379

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

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

As at 31 December 2022

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

As at 31 December 2021

	Gross carrying amount *US$'000*	Expected credit loss rate	Expected credit loss *US$'000*
The largest customer	97,276	0.04%	39
Others	9,122	3.73%	340
	106,398	0.36%	379

12. TRADE AND NOTES PAYABLES

	2022	2021
	US$'000	*US$'000*
Notes payables	**12,231**	—
Trade payables	**48,520**	37,739
	60,751	37,739

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

	2022	2021
	US$'000	*US$'000*
Within 3 months	**59,794**	36,566
3 to 12 months	**512**	795
Over 1 year	**445**	378
	60,751	37,739

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

13. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2022			As at 31 December 2021		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank overdraft						
— unsecured *(note (a))*	**—**	**2023**	**322**	—	2022	229
US$144,000 Bank loans						
— unsecured	**LPR+62bps***	**2023**	**144**	—	—	—
US$3,937,000 Bank loans						
— unsecured	**SOFR+230bps***	**2023**	**3,937**	—	—	—
US$15,686,000 Bank loans						
— secured	**—**	**—**	**—**	LPR–30bps*	2022	15,686
US$14,902,000 Bank loans						
— secured	**—**	**—**	**—**	LPR+3bps*	2022	14,902
US$3,575,000 Bank loans						
— secured *(note (b))*	**—**	**2023**	**3,575**	—	—	—
US$1,511,000 Bank loans						
— unsecured	**—**	**—**	**—**	2.4	2022	1,511
US$2,572,000 Bank loans						
— secured	**—**	**—**	**—**	1	2022	2,572
Current portion of long-term bank loans						
— secured *(note (c))*	**1**	**2023**	**517**	—	—	—
			8,495			34,900
Non-current						
1% US$741,000 Bank loans						
— secured *(note (c))*	**1**	**2025**	**741**	—	—	—

	2022	2021
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**8,495**	34,900
In the second year	**522**	—
In the third year	**219**	—
	9,236	34,900

* LPR rate refers to Loan Prime Rate

* SOFR rate refers to Secured Overnight Financing Rate

Notes:

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

(b) The bank loan of total US$3,575,000 is guaranteed by pledged deposits.

(c) The bank loan of total US$1,258,000 is the Paycheck Protection Program ("PPP") Loan guaranteed by the Small Business Administration ("SBA").

14. EVENTS AFTER THE REPORTING PERIOD

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

15. CONTINGENT LIABILITIES

The Group is involved in a legal proceeding relating to a business dispute, accused of causing damages to plaintiffs on unfair competition and other issues. Two plaintiffs claimed damages in excess of US$630,000. We don't have enough information about the claim at this stage, and therefore it would be impossible to make a reliable estimate of the amount of the claim. Accordingly, no provision arising from the claim has been provided for.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

With our mission to "build a better living", we are dedicated to continuously improving consumers' daily lives in small but meaningful ways with innovative and user-friendly products. We primarily design, develop and sell small home appliances under our three core brands, namely, "Levoit" for home environment appliances; "Etekcity" for smart home gadgets, health monitoring devices, outdoor recreation products and personal care products; and "Cosori" for kitchen appliances and dining ware. To make our consumers' daily life more convenient, efficient and enjoyable, our VeSync app enables users to achieve centralized control of smart home devices for home automation experience.

For us, 2022 is a year to further strengthen our foundation. Becoming an international brand is a process of accumulating strength for steady development, which involves the fostering of various abilities. We have encountered numerous challenges, such as channel dealers destocking, the sharp increase in international container freight rates, leading to increased in cost of sales in 2022, and the Voluntary Recall. These challenges prompted us to further strengthen our organizational capacity to counter the challenges posed by the uncertainty of the external environment.

We continued to improve our product strength, operational efficiency, non-Amazon channel development capability and regional expansion capability. As a result of the improvement of these capabilities, we have achieved good market performance in 2022.

Our Levoit air purifier ranked No. 1 in terms of sales volume and sales amount in the American market according to the statistics of NPD Group, Inc. ("**NPD**")[*Note*], occupying approximately 33% and 23% market share in terms of sales volume and sales amount respectively, increased by approximately 10 percentage points and 7 percentage points as compared with 2021. The ability to grow rapidly and sustainably, and the capability to stand out from the competition against many well-known brands, as demonstrated by our No. 1 rankings on the American amazon channel and by NPD, has proven our sustainable competitive advantages in areas such as user insight innovation, global value chain and our streamlined and agile operation capacities.

In addition to air purifiers, our Levoit air humidifier achieved exponential growth after several years of deep cultivation. The new generation products were fully launched, and sales recorded a year-on-year increase of approximately 68%. In the U.S. market, according to our internal statistics, our air humidifiers have become another No. 1 category in terms of market share on Amazon following our air purifiers, body weight scales, Etekcity smart fitness scales, kitchen scales, luggage scales, temperature guns, water bottles and food dehydrators; and ranked No. 2 in terms of sales amount by NPD, occupying approximately 20.2% sales amount market share, which was less than 1 percentage point below the top ranking product as well. We hope our Levoit humidifier will continue the success of our air purifier products.

Note: Such data are obtained from the statistics for 2022 from NPD. NPD collects point-of-sale data from selected retailers for its U.S. Small Appliance POS Tracking Service. This data is the actual sales in terms of unit from the retailer/data partner.

For smart home solution providers, software and content are an important part of our scenario building. As of December 31, 2022, there were approximately 4.4 million activated devices on VeSync app, increased by approximately 57.1% as compared with 2021. The number of downloads of VeSync app in IOS App Store ranked No. 25 in the Lifestyle category as of December 31, 2022, up 56 places from No. 81 as of December 31, 2021.

Revenue from non-Amazon channels recorded a year-on-year increase of approximately 95.1%, and accounted for approximately 16.3% of our total revenue, representing an increase from approximately 9% as compared with 2021. In the U.S. market, for example, our sales amount to Target and Walmart increased by more than 130% and 170%, respectively, as compared with the same period last year. In the European market, our products have entered more offline stores and the sales amount in the European non-Amazon channels increased by more than 500%. Our firm foothold, together with our outstanding sell-through performance, have facilitated the persistent increase in our sales revenue in these channels.

Sales in the European market increased by approximately US$26.9 million or approximately 33.2% as compared with the same period in 2021. Our Cosori kitchen appliances successfully seized promising growth opportunities in Europe. According to our internal statistics, Cosori air fryers achieved No. 1 rankings in Europe on Amazon in 2022 and reached more than 800 stores of sizable supermarkets in Spain, Romania, Northern Europe and other countries and regions.

In part of product research and development and quality control capabilities:

Our product development process has become more comprehensive and is conducted to a higher standard. We established whole-process quality control, from product research and development, technical and performance testing, supplier quality management, manufacturing process control, product delivery quality inspection and after-sales technical support and other business areas, to achieve an end-to-end closed loop.

We have established an efficient product development and quality control team of 519 employees, accounting for 40.5% of the total number of employees in the Group. We also attracted Simeon Jupp, Vice President of Research and Development, whose more than 30 years of consumer facing, product innovation and design experience at global industry leaders will help us take our brands to the next level of growth.

We have launched more smart products such as the Levoit EverestAir Air Purifier, Vital 200s Air Purifier, OasisMist 4.5L Cool and Warm Mist Humidifier, Cosori Aeroblaze Indoor Grill, Dual Blaze Smart Air Fryer, and Etekcity Apex Smart Body Fitness Scale. Some newly launched products such as Levoit air purifiers, air humidifiers and air fryers achieved high rankings or best sellers on the Amazon channel in U.S..

FINANCIAL REVIEW

In 2022, the Group's revenue amounted to approximately US$490.4 million, representing an increase of approximately 8% as compared with 2021. Excluding the impact of the Voluntary Recall on the Group's financial performance, the gross profit would have been approximately US$190.1 million, representing an increase of approximately 7.9% or US$14.0 million as compared with 2021, the gross profit margin of the Group was approximately 38.3% (2021: 38.8%), almost the same as 2021. Including the impact of the Voluntary Recall, the gross profit amounted to approximately US$142.3 million. The loss attributable to owners of the parent was approximately US$16.3 million. The basic loss per share was approximately US1.44 cents (2021: basic earnings per share of US3.68 cents).

For the year ended December 31, 2022, the Group's overall revenue amounted to approximately US$490.4 million, representing an increase of approximately 8.0% as compared with approximately US$454.3 million recorded for the year ended December 31, 2021. This was mainly driven by the strong sales of various home products in terms of quantities sold, including Levoit air purifiers, air purifiers filters and humidifiers, Cosori air fryers, and Etekcity smart fitness scales etc. Consumers worldwide have gradually become accustomed to the new norm under the COVID-19 pandemic and many of them have modified their household hygiene practices to cope with the risk propensity of the COVID-19 pandemic. With our experienced marketing team and our successful marketing and advertising strategies, our products such as Levoit air purifier, air humidifier and Cosori air fryers achieved high rankings in U.S. or in Europe on the Amazon channel, which enabled us to capture the online traffic from keyword searches on Amazon and robust consumer demand for home products, thereby benefitting from the favorable market trends. In the non-Amazon channels, our products are sold in no less than 8,400 offline stores, the sales amount increased by approximately 95.1% as compared with 2021.

Business Review by Sales Channel

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

	2022	2021
	US$'000	*US$'000*
Seller Central	**5,346**	74,741
Vendor Central	**405,097**	338,536
Non-Amazon channels	**79,935**	40,973
Total	**490,378**	454,250

Under the Seller Central program, we directly sell to our retail customers through the Amazon e-commerce marketplace. Under the Vendor Central program, Amazon makes bulk purchase orders from us and then sells to its customers through the Amazon e-commerce marketplace. Other channels primarily include chain retailers, other e-commerce marketplaces and our own online shopping websites etc.

Revenue of the Group generated from the Vendor Central program increased by approximately 19.7% in 2022 primarily due to (i) the increases in sales volume of products and (ii) our channel strategy of almost completely shifting our program type on Amazon from the Seller Central program to the Vendor Central program.

Revenue of the Group generated from the Seller Central program decreased by approximately 92.8% in 2022 primarily due to our channel strategy of almost completely shifting our program type on Amazon from the Seller Central program to the Vendor Central program.

Strong sales growth of the Group in other channels in 2022 came primarily from the chain retailers, representing a year-on-year increase of approximately 95.1% as compared with that of 2021. Revenue growth of the Group in the chain retailers was primarily due to (i) the increases in sales volume of Levoit air purifiers, humidifiers and Cosori air fryers; and (ii) continuous growth of the reputation of our brands, products and our track records in chain retailers. We have secured favorable shelf positions in key chain retailers in the United States and our single store sales increased, for example Target and Best Buy etc. In the European market, our products have entered more offline stores.

Business Review by Geographic Location

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

	2022	2021
	US$'000	*US$'000*
North America	**366,182**	358,060
Europe	**107,946**	81,041
Asia	**16,250**	15,149
Total	**490,378**	454,250

Revenues generated in North America increased to approximately US$366.2 million in 2022, primarily driven by revenue from the United States. The revenue of the United States was mainly attributable to the sales volume of (i) home environment appliances such as the Levoit air purifier filters and air humidifiers; and (ii) the revenue from the non-Amazon channels. The Group's revenue in European sales in 2022 increased by approximately 33.2% to US$107.9 million as compared to that of 2021, which was primarily due to (i) increases in sales in Great Britain, Germany, Spain and Italy and (ii) the increase in sales volume of Cosori air fryers, which were partially offset by the decrease in sales volume of Etekcity and Levoit products. Revenue in Asia increased by approximately 7.3% in 2022, primarily attributable to the increased sales in Japan and United Arab Emirates.

Business Review by Brand

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

	2022	2021
	US$'000	*US$'000*
Levoit	**276,459**	246,841
Cosori	**166,779**	154,876
Etekcity	**46,663**	52,293
Others	**477**	240
Total	**490,378**	454,250

Revenue generated from the Levoit brand increased by approximately US$29.6 million in 2022, primarily driven by revenue from air humidifiers and air purifier filters in the United States. The revenue from air humidifiers was mainly attributable to the sales volume, and grew approximately 68% as compared with the same period in 2021, ranking No.1 on the American Amazon channel and No. 2 by NPD in terms of sales amount in the United States market. Revenue generated from the Cosori brand increased by approximately US$11.9 million or 7.7% as compared to the year ended December 31, 2021, mainly driven by air fryer sales in the European market. In addition, Cosori water bottles and food dehydrators performed well, which increased by approximately 100% and 33% as compared to 2021. Revenue generated from Etekcity products decreased by approximately 10.8%, mainly due to the body weight scale market decline, resulting in approximately US$7.5 million decrease in body weight scale sales, but the body fitness scale sales increased by approximately 44% or US$3 million.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended December 31, 2022, excluding the impact of the Voluntary Recall on the Group's financial performance, the gross profit would have been approximately US$190.1 million, representing an increase of approximately 7.9% or US$14.0 million as compared with 2021, the gross profit margin of the Group was approximately 38.3% (2021: 38.8%), almost the same as 2021. Including the impact of the Voluntary Recall, the gross profit was approximately US$142.3 million. In addition to the Voluntary Recall, the significant increase in freight costs in cost of sales, which increased by approximately 42% or US$14.8 million compared to the corresponding period in 2011, resulted in a decrease in the overall gross profit margin.

OTHER INCOME AND GAINS

Other income and gains of the Group primarily consist of (i) bank interest income; and (ii) government grants.

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

	2022	2021
	US$'000	*US$'000*
Bank interest income	**775**	665
Government grants	**2,562**	469
Fair value gains, net	**—**	40
Others	**705**	203
Total	**4,042**	1,377

For the year ended December 31, 2022, other income and gains of the Group amounted to approximately US$4 million (2021: US$1.4 million), representing a year-on-year increase of approximately 194.0%. This was mainly attributable to the government grants which mainly represent subsidies from the local government to support their operation and to compensate the subsidies. In 2022, we received forgiveness loan amounted US$928,000 under the Paycheck Protection Program and payroll tax credits amounted US$1,039,000 under Employee Retention Credit.

SELLING AND DISTRIBUTION EXPENSES

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

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

	2022	2021
	US$'000	*US$'000*
Marketing & advertising expenses	**35,993**	21,165
Commission to platform	**2,409**	12,839
Staff costs	**23,319**	12,763
Warehousing expenses	**20,680**	17,624
Others	**6,838**	4,442
Total	**89,239**	68,833

The Group's selling and distribution expenses increased by approximately 29.6% from approximately US$68.8 million for the year ended December 31, 2021 to approximately US$89.2 million for year ended December 31, 2022. Such increase was driven by (i) the increase in marketing and advertising expenses to increase the market presence of the Group's key products; (ii) the increase in staff cost due to the expansion of the Group's sales and marketing team to support the Group's robust business growth in 2022.

ADMINISTRATIVE EXPENSES

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

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

	2022	2021
	US$'000	*US$'000*
Research and development	**29,954**	17,308
Administrative staff costs	**22,535**	19,088
Professional fees	**8,128**	4,499
Office expenses	**2,776**	3,987
Depreciation & amortization	**4,146**	3,632
Travelling and entertainment expenses	**528**	505
Others	**1,524**	2,116
Total	**69,591**	51,135

The Group's administrative expenses increased by approximately 36.1% from approximately US$51.1 million for the year ended December 31, 2021 to approximately US$69.6 million for the year ended December 31, 2022, primarily due to (i) the increase in research and development expenses to prepare for product upgrades and new products; and (ii) the increase in the administrative staff costs as the number of staff increased.

OTHER EXPENSES

The Group's other expenses totaled approximately US$8.0 million for the year ended December 31, 2022 (2021: US$5.6 million).

FINANCE COST

Finance costs of the Group primarily represent (i) interest on bank loans and other borrowings; (ii) interest on loans from related parties; and (iii) interest on lease liabilities.

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

	2022	2021
	US$'000	*US$'000*
Interest on bank loans	**893**	88
Interest on lease liabilities	**653**	675
Interest on discounted bank notes and others	**145**	—
Total	**1,691**	763

The Group's finance costs increased from approximately US$0.8 million for the year ended December 31, 2021 to approximately US$1.7 million for the year ended December 31, 2022, primarily due to the increase in interest on bank loans and other borrowings.

INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which it is domiciled and operated. Subsidiaries located in the PRC were subject to PRC corporate income tax at a rate of 25% on the assessable profit generated for 2022.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

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

Shenzhen City Chenbei Technology Company Limited, a wholly-owned subsidiary of the Company, is currently qualified as a high and new technology enterprise under the PRC income tax law, and was entitled to a preferential tax rate of 15% during the Reporting Period.

Chongqing Xiaodao Information Technology Company Limited, a wholly-owned indirect subsidiary of the Company, was entitled to the preferential policy on corporate income tax under Western China development and income tax were levied at a preferential rate of 15% during the Reporting Period.

Dongguan City Zhilun Electronic Technology Company Limited, a wholly-owned indirect subsidiary of the Company, is entitled to a preferential income tax rate of 2.5% for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 5% for the taxable income between RMB1,000,000 and RMB3,000,000 during the Reporting Period.

All of the Company's subsidiaries in the U.S. were subject to federal corporation income tax at the rate of 21% and California state tax rate of 8.84% pursuant to the relevant tax laws of the United States during the Reporting Period.

The Company's subsidiary in Hong Kong was subject to Hong Kong profit tax at a rate of 16.5%, 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 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5% during the Reporting Period.

The Company's subsidiary in Macau was subject to Macau profit tax rate of 12% pursuant to the relevant tax law of the Administrative Especial de Macau. The first MOP$600,000 of assessable profits of this subsidiary are tax-free and the remaining assessable profits are taxed at 12%.

The Company's subsidiary in the Netherlands is entitled to a preferential income tax rate of 15% (2021: 15%) for the taxable income less than or equal to EUR395,000 (2021: EUR245,000) and an income tax rate of 25.8% (2021: 25%) for the taxable income over EUR395,000 (2021: EUR245,000).

The Company's subsidiary in Germany is entitled to a combined tax rate of 29.13% (2021: 29.13%), consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and a trade tax rate of 13.3%.

Income tax expenses of the Group changed from income tax expenses of approximately US$9.4 million for the year ended December 31, 2021 to income tax gains of approximately US$5.5 million for the year ended December 31, 2022, primarily due to the decreased profit in 2022 as compared with the corresponding period in 2021 and the deferred income tax.

LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, the Group had a loss attributable to owners of parent of approximately US$16.3 million for the year ended December 31, 2022, compared with a profit attributable to owners of parent of approximately US$41.6 million for the year ended December 31, 2021.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group meets its capital needs through cash flows from operations and financing as a result of the net proceeds from the Global Offering. The Group had cash and cash equivalents of approximately US$126.7 million as of December 31, 2021 and approximately US$93.6 million as of December 31, 2022. The cash and cash equivalents of the Group are mainly denominated in RMB, US$ and EUR.

As of December 31, 2022, the Group had total bank borrowings of approximately US$9.2 million (2021: approximately US$34.9 million), which were all denominated in US$ and RMB. Approximately US$5.1 million of the bank borrowings were at fixed interest rates and approximately US$4.1 million of the bank borrowings were at floating interest rates.

The table sets forth a breakdown of the bank borrowings of the Group as of December 31, 2022:

	2022	2021
	US$'000	*US$'000*
Interest-bearing bank borrowing		
— current portion	**8,495**	34,900
— non-current portion	**741**	—
	9,236	34,900

The table below sets forth the aging analysis of the repayment terms of interest-bearing bank borrowings as of December 31, 2022:

	2022	2021
	US$'000	*US$'000*
Bank loans repayable:		
Within one year or on demand	**8,495**	34,900
Over one year	**741**	—
Total	**9,236**	34,900

TREASURY POLICY

The Group adopts a prudent approach in its cash management and risk control. Most of the sales are denominated in US$, with the remaining mainly denominated in currencies of the countries to which the Group sells its products. The Group pays subcontractors and suppliers (including those located in the PRC) mainly in US$ and RMB. As a result of the foregoing, the Group's consolidated financial results are affected by currency exchange rate fluctuations. The Group recorded a currency exchange loss of approximately US$4.4 million for the year ended December 31, 2022 (2021: approximately US$4.2 million).

As of December 31, 2022, the Group manages its foreign exchange risk by using appropriate financial derivatives, and priority will be given to simple, cost-efficient and effective hedge instruments which meet the HKFRS 9 in performing foreign exchange risk management responsibilities. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

As of December 31, 2022, there were no significant investments held by the Group or future plans for significant investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2022.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2022, the Group had 1,280 employees in total, in which 1,130 employees were in the PRC, 145 employees were in the Unites States and 5 employees were in other locations. For the year ended December 31, 2022, the Group recognized staff costs of approximately US$69.5 million (2021: approximately US$44.6 million).

The Company believes that the ability to recruit and retain experienced and skilled labor is crucial to the Group's growth and development. The Group provides training to its new employees to familiarize them with the working environment and work culture. The Group also provides on-the-job training to the employees, which aims at developing their skills so as to meet the strategic goals and customer requirements. In addition to providing the Group's staff with the opportunities to receive on-the-job trainings, the Group strives to create a harmonious and warm working and living environment for the staff. For the year ended December 31, 2022, several culture webinars were held to drive forward our employees' understanding of the connection between product design and our end-users.

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

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

During the Reporting Period, the Group maintained social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, work-related injury and maternity benefits.

Contributions made from the Group to the pension schemes are recognized as expenses when incurred and will not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions.

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

The Remuneration Committee has been established to provide recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management, review the remuneration and ensure that no Directors have determined their own remuneration.

CHARGES ON ASSETS

As of December 31, 2022, the Group had US$12.0 million of bank deposits pledged, of which US$6.3 million was a deposit for issuing banker's acceptances to subcontractors and US$5.7 million of time deposits pledged for issuing banker's acceptances (2021: US$30.6 million).

GEARING RATIO

As of December 31, 2022, the Group's gearing ratio (calculated as the total borrowings (bank and other borrowings and lease liabilities) divided by total equity as of the end of each year) was 7.4% (December 31, 2021: 15.4%).

IMPACT OF COVID-19

The COVID-19 has so far by the end of December 2022 infected 758.4 million people globally and contributed to 6.7 million deaths, according to the World Health Organization ("**WHO**"). In 2022, we have actively taken measures to mitigate the impact of the COVID-19 pandemic.

We maintained the enhanced hygiene and precautionary measures adopted since the outbreak of COVID-19 across our offices worldwide to protect our employees and contain the spread of COVID-19 and variants of it. We have successfully organized our employees in China to get fully vaccinated since COVID-19 vaccine's official launch in China.

The year of 2021 saw an especially steep increase in Global Container Freight Index ("**GCFI**"), reaching a record price of over approximately US$11,109 in September 2021. The rise in international freight rates in 2021 and the first half of the 2022 had a significant impact on the Group's cost of sales in 2022, thereby reducing the Group's gross profit. For the year ended December 31, 2022, the proportion of shipping and insurance cost to revenue increased from approximately 7.8% in 2021 to 10.2% in 2022, lowering the Group's gross profit margin by 2.4 percentage points. By the end of December 2022, the GCFI dropped to US$2,120 per 40-foot container, and decreased by approximately 81% as compared to the GCFI in September 2021. Therefore, it is expected that the impact on the Group's gross profit margin caused by the increase in freight rates will be alleviated in 2023.

FUTURE OUTLOOK

We remain firmly committed to our core belief to foster connected lifestyles and make life better by creating smarter products under the brands of Levoit, Cosori and Etekcity. Going forward in 2023, we aim to continue focusing on our strategies which is focusing on "better wellness, better life" and commitment of helping consumers achieve a healthier and more active lifestyle through smart products, software, content and services: (i) further upgrade our product mix and expand our product portfolio; (ii) expand geographic coverage, especially deepen the market share of Cosori and Levoit products in the European market; (iii) bring greater business potential from other sales channels by enlarging our product portfolio in existing stores, entering into new stores and getting access to more new chain retailers, thus leveraging our brand recognition; and (iv) continue to invest in technologies with an aim to develop VeSync app into a home IoT platform.

We aim to further enhance our product portfolio, in particular smart home devices in the consumer space, while leveraging our track record for developing relevant, consumer-friendly products in the business-to-business space.

In 2023, based on our product development and quality control capabilities with deep consumer insight, we will enrich our smart product range and improve our wellness scene building. We aim to release higher-level air purifiers and air humidifiers, two-pot air fryers and third generation innovative air fryers, second generation ovens, and enter into new product categories like vacuum cleaners, tower fans, pressure cookers, rice cookers, smart food probes, electric toothbrushes, and more. These will be the one of engines of our performance in 2023.

The future is already here, 2023 is worth looking forward to.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Reporting Period and up to the date of this announcement.

CONTINGENT LIABILITIES

For details of the contingent liabilities of the Group as of December 31, 2022, please refer to note 15 to the financial statements as set out in this announcement.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended December 31, 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2023 AGM to be held on Tuesday, May 30, 2023, the register of members of the Company will be closed from Wednesday, May 24, 2023 to Tuesday, May 30, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2023 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, May 23, 2023.

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

During the Reporting Period, the Company repurchased a total of 2,165,000 Shares (the "**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HK$15,963,038.07. Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share Highest *(HK$)*	Lowest *(HK$)*	Aggregate consideration *(HK$)*
January 2022	2,165,000	8.16	6.67	15,963,038.07
Total	2,165,000			15,963,038.07

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

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely, Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Tan Wen, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022, including the accounting principles and practices adopted by the Group and has recommended for the Board's approval thereof. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

SCOPE OF WORK OF ERNST & YOUNG

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended December 31, 2022, but represents an extract from the consolidated financial statements for the year ended December 31, 2022 which have been audited by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.vesync.com). The annual report of the Company for the year ended December 31, 2022 will be despatched to the Shareholders and published on the same websites in due course.

DEFINITIONS

"2023 AGM"	the forthcoming annual general meeting of the Company to be held on May 30, 2023
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on December 1, 2020 and effective on December 18, 2020, as amended or supplemented from time to time

"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this announcement to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Vesync Co., Ltd, an exempted company with limited liability incorporated in the Cayman Islands on January 9, 2019, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 15, 2020
"Director(s)"	the director(s) of the Company
"EUR"	Euros, the lawful currency of the member states of the European Union
"Global Offering"	the offer of the Shares for subscription as described in the section headed "Structure of the Global Offering" in the Prospectus
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Date"	December 18, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on July 20, 2021
"Prospectus"	the prospectus of the Company dated December 8, 2020 in connection with the Global Offering

"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"Share Option Scheme"	the share option scheme adopted by the then Shareholders on December 1, 2020
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" and "U.S."	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"Voluntary Recall"	the voluntary recall of certain models of air fryers under the "Cosori" brand in the United States, Canada and Mexico
"%"	per cent
"IoT"	internet of things

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

Hong Kong, March 29, 2023

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