Vesync Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2020	2019	Year-on-year change
	US$'000	*US$'000*	
Revenue	**348,922**	171,919	103.0%
Gross profit	**152,419**	67,234	126.7%
Gross profit margin	**43.7%**	39.1%	4.6 p.p.
Profit before tax	**60,057**	6,934	766.1%
Profit for the year/attributable to owners of the parent	**54,723**	6,372	758.8%
Profit margin	**15.7%**	3.7%	12.0 p.p.
Earnings per share attributable to ordinary equity holders of the parent			
Basic	**US6.76 cents**	US0.80 cents	745.0%

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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, 2020.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended December 31, 2020:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
REVENUE	4	**348,922**	171,919
Cost of sales		**(196,503)**	(104,685)
Gross profit		**152,419**	67,234
Other income and gains	4	**341**	1,182
Selling and distribution expenses		**(47,241)**	(37,779)
Administrative expenses		**(38,920)**	(21,253)
Impairment losses on financial assets, net		**(141)**	(36)
Other expenses		**(5,261)**	(1,131)
Finance costs	6	**(1,140)**	(1,283)
PROFIT BEFORE TAX	5	**60,057**	6,934
Income tax expense	7	**(5,334)**	(562)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**54,723**	6,372
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,029**	(23)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**2,029**	(23)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**56,752**	6,349
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**US6.76 cents**	US0.80 cents
Diluted	9	**US6.74 cents**	US0.80 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,858**	1,594
Right-of-use assets		**11,056**	8,067
Other intangible assets		**406**	207
Other non-current assets		**280**	23
Deferred tax assets		**17,002**	2,837
Total non-current assets		**30,602**	12,728
CURRENT ASSETS			
Inventories	*10*	**95,598**	33,278
Trade receivables	*11*	**35,241**	17,880
Prepayments, other receivables and other assets		**24,577**	7,415
Tax recoverable		**256**	2,051
Due from directors		**—**	970
Due from related parties		**—**	4,625
Pledged short-term deposits		**—**	588
Cash and cash equivalents		**183,450**	9,115
Total current assets		**339,122**	75,922
CURRENT LIABILITIES			
Trade payables	*12*	**45,617**	19,418
Other payables and accruals		**27,217**	14,367
Provision		**1,999**	368
Interest-bearing bank and other borrowings	*13*	**2,888**	18,354
Lease liabilities		**2,634**	1,500
Tax payable		**17,040**	729
Due to directors		**—**	7,868
Due to related parties		**—**	1,032
Total current liabilities		**97,395**	63,636
NET CURRENT ASSETS		**241,727**	12,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**272,329**	25,014

	2020	2019
	US$'000	US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**272,329**	25,014
NON-CURRENT LIABILITIES		
Lease liabilities	**9,183**	6,802
Provision	**3,015**	1,818
Total non-current liabilities	**12,198**	8,620
Net assets	**260,131**	16,394
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,449**	1
Share premium	**189,587**	4,210
Reserves	**69,095**	12,183
Total equity	**260,131**	16,394

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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, the ultimate controlling shareholders of the Company are Ms. Yang Lin, Mr. Yang Yuzheng and Mr. Yang Hai.

2. 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 Hong Kong Companies Ordinance. All HKFRSs effective from the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2019. The Group has early adopted the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions* for rent concessions occurring as a direct consequence of the COVID-19 pandemic after 1 January 2020 in the preparation of the financial statements for the year ended 31 December 2020. They have been prepared under the historical cost convention. These financial statements are presented in United States dollar ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion.
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

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:***

	2020	2019
	US$'000	*US$'000*
North America	**302,318**	148,634
Europe	**40,718**	21,976
Asia	**5,886**	1,309
Total	**348,922**	171,919

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*

	2020	2019
	US$'000	*US$'000*
North America	**8,471**	5,139
Mainland China	**4,359**	4,165
Hong Kong	**519**	492
Europe	**166**	5
Other	**85**	90
Total	**13,600**	9,891

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

Information about a major customer

Revenue of approximately US$232,815,000 for the year ended 31 December 2020 (2019: US$87,284,000), 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	US$'000	*US$'000*
Revenue from contracts with customers	**348,922**	171,919

(i) Disaggregated revenue information

	2020	2019
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**348,922**	171,919

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:

	2020	2019
	US$'000	*US$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of products	**180**	167

(ii) ***Performance obligations***

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

Sale of products

The performance obligation of Vendor Central program is satisfied upon delivery of goods and payment is generally due within 30 to 90 days from delivery. The performance obligation of Seller Central program is satisfied upon receipt of products by customers and payments are generally received when customers place orders on the platform. The performance obligations of other channels are generally satisfied upon receipt of customers or upon delivery of retailers. Seller Central program and other marketplace channels provides customers with a right of return within 30 days, sometimes extending up to 60 days.

At 31 December 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) are 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***

	2020	2019
	US$'000	*US$'000*
Refund liabilities arising from sales return	**595**	263
Refund liabilities arising from promotion rebates	**7,906**	5,636
	8,501	5,899

An analysis of other income and gains is as follows:

	2020	2019
	US$'000	*US$'000*
Bank interest income	**10**	2
Government grants*	**96**	187
Other income from suppliers	**—**	522
Foreign exchange gains, net	**—**	364
Others	**235**	107
	341	1,182

* The amount represents grants received from the government authorities of Mainland China by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	Notes	2020 US$'000	2019 US$'000
Cost of inventories sold		**153,315**	75,163
Amazon fulfilment fee		**17,664**	18,712
Commission to platform		**17,180**	12,809
Research and development costs*		**10,459**	8,178
Depreciation of property, plant and equipment		**706**	592
Amortisation of other intangible assets**		**266**	79
Depreciation of right-of-use assets		**2,702**	1,514
Auditor's remuneration		**504**	111
Lease payments not included in the measurement of lease liabilities		**1,272**	191
Listing expenses		**4,460**	879
Gain on disposal of items of property, plant and equipment, net		**4**	—
Bank interest income		**(10)**	(2)
Foreign exchange differences, net		**2,239**	(364)
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**20,828**	13,363
Pension scheme contributions		**1,512**	1,439
Staff welfare expenses		**3,266**	1,355
Equity-settled share award expense		**166**	—
		25,772	16,157
Impairment of trade receivables, net	*11*	**141**	36
Impairment of inventories, net***	*10*	**3,210**	591
Product warranty provision:			
Addition provision		**1,096**	469

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

** The amortisation of other intangible assets is included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	US$'000	*US$'000*
Interest on bank loans and other borrowings	**444**	862
Interest on loans from a related party	**85**	196
Interest on loans from employees	**—**	17
Interest on lease liabilities	**611**	208
	1,140	1,283

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 subsidiaries 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% (2019: 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 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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% (2019: 15%) during the year.

Chongqing Xiaodao is entitled to a preferential income tax rate of 5% (2019: 5%) for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 10% (2019: 15%) for the taxable income between RMB1,000,000 and RMB3,000,000 during the year.

United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% (2019: 21%) federal corporate income tax rate and 8.84% (2019: 8.84%) California state tax rate have been provided on the taxable income arising in the United States during the year.

Netherlands and Germany

Pursuant to the relevant tax laws of the Netherlands and Germany, the subsidiaries which operate in the Netherlands and Germany have been subject to corporate income tax at a rate of 16.5% (2019: 20%) and 15% (2019: 15%), respectively, on the taxable income arising in the Netherlands and Germany during the year.

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

	2020	2019
	US$'000	*US$'000*
Current tax:		
— Mainland China	**1,701**	130
— Hong Kong	**14,742**	—
— United States	**3,017**	895
— Netherlands and Germany	**19**	96
Deferred tax	**(14,145)**	(559)
Total tax charge for the year	**5,334**	562

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:

	2020	2019
	US$'000	*US$'000*
Profit before tax	**60,057**	6,934
Tax at the statutory tax rates	**6,379**	1,382
Preferential income tax rates applicable to subsidiaries	**(1,554)**	(459)
Expenses not deductible for tax	**1,126**	342
Additional deduction allowance for research and development costs	**(793)**	(731)
Tax losses utilised from previous years	**(142)**	(65)
Effect on opening deferred tax of decrease in rate	**9**	—
Tax losses not recognised	**309**	93
Tax charge at the Group's effective rate	**5,334**	562

8. DIVIDENDS

On 15 June 2020, the Company declared a cash dividend of US$4,210,000 (equivalent to RMB29,853,000) to the shareholders of the Company, which has been fully paid in June 2020 (2019: Nil).

The board resolved to recommend to the shareholders of a final dividend of HK12.74 cents (equivalent to approximately US1.64 cents) per share for the year ended 31 December 2020. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS 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 810,008,219 (2019: 800,000,000) in issue during the year, on the assumption that the capitalisation issue had been completed on 1 January 2019.

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 granted by the Company.

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

	2020	2019
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**54,723**	6,372

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	**810,008,219**	800,000,000
Effect of dilution-weighted average number of ordinary shares arising from shares awarded	**1,336,985**	—
	811,345,204	800,000,000

10. INVENTORIES

	2020	2019
	US$'000	*US$'000*
Raw materials	**420**	912
Work in progress	**43**	31
Finished goods	**99,527**	33,517
Less: Provision for inventories	**(4,392)**	(1,182)
	95,598	33,278

At 31 December 2019, the inventories owned by Etekcity Corporation ("Etekcity US"), Arovast Corporation ("Arovast US"), Atekcity Corporation ("Atekcity US") and L&H Y Trading Inc ("L&H Y US"), subsidiaries of the Group with aggregate carrying amounts of US$28,106,000 respectively, were pledged as security for the Group's bank loans, as further detailed in note 13(b).

11. TRADE RECEIVABLES

	2020	2019
	US$'000	*US$'000*
Trade receivables	**35,777**	18,304
Impairment of trade receivables	**(536)**	(424)
	35,241	17,880

The credit period is generally one month, sometimes extending up to three months. Each customer has 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 receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	US$'000	*US$'000*
Less than 3 months	**34,965**	17,756
Between 3 and 6 months	**245**	94
Between 6 and 12 months	**23**	30
Between 1 and 2 years	**8**	—
	35,241	17,880

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

	2020	2019
	US$'000	*US$'000*
At beginning of year	**424**	590
Disposal of a subsidiary	**—**	(202)
Impairment losses, net	**141**	36
Exchange realignment	**(29)**	—
At end of year	**536**	424

An impairment analysis is performed at the end of each of the reporting periods using a provision matrix to calculate expected credit losses ("ECLs") for trade receivables from customers other than the largest retailer. The provision rates are based on days past due of these customers. For the largest retailer, 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 2020

	Gross carrying amount *US$'000*	**Expected credit loss rate**	**Expected credit loss** *US$'000*
The largest customer	**33,514**	**0.07%**	**22**
Others	**2,263**	**22.71%**	**514**
	35,777	**1.50%**	**536**

As at 31 December 2019

	Gross carrying amount *US$'000*	Expected credit loss rate	Expected credit loss *US$'000*
The largest customer	17,533	0.10%	17
Others	771	52.79%	407
	18,304	2.32%	424

12. TRADE PAYABLES

	2020	2019
	US$'000	*US$'000*
Trade payables	**45,617**	19,418

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

	2020	2019
	US$'000	*US$'000*
Within 3 months	**37,741**	18,010
3 to 12 months	**7,630**	887
Over 1 year	**246**	521
	45,617	19,418

The trade payables are non-interest-bearing and are normally settled on 90-day terms and sometimes extend to 180 days.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2020			As at 31 December 2019		
	Effective interest rate *(%)*	**Maturity**	***US$$'000***	Effective interest rate *(%)*	Maturity	*US$$'000*
Current						
Current portion of long-term bank loans — secured US$58,000	**—**	**—**	**—**	5.19	2020	10
Current portion of long-term bank loans — secured	**—**	**—**	**—**	WSJP*+1	2020	14,952
Bank overdraft — unsecured *(a)*	**—**	**2021**	**161**	—	2020	107
Bank loans — secured US$2,572,000 *(b)*	**1**	**2021**	**2,572**	—	—	—
Bank loans — secured US$155,000 *(c)*	**1**	**2021**	**155**	—	—	—
Bank loans — secured RMB5,000,000	**—**	**—**	**—**	5.4	2020	717
Other loans — secured HK$20,000,000	**—**	**—**	**—**	—	2020	2,568
			2,888			18,354

	2020	2019
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,888**	15,786
Other borrowings repayable:		
Within one year or on demand	**—**	2,568
	2,888	18,354

* WSJP rate refers to Wall Street Journal Prime Rate

Notes:

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

(b) The bank loans are guaranteed by the U.S. Small Business Administration ("SBA"). If the proceeds of loans were used by Etekcity US for eligible expenses as defined in Section 1102 of the CARES Act to include payroll costs, continuation of health care benefits, employee salaries, mortgage interest, rent, utilities, balances on SBA Economic Injury Disaster Loans ("EIDL") and interest on other outstanding debt incurred prior to 15 February 2020 ("Eligible Expenses"), then Etekcity US may apply for loan forgiveness of all Eligible Expenses excluding interest on outstanding non-mortgage debt, and existing EIDL balances not used for forgivable purposes from the SBA.

(c) The bank loans are guaranteed by the SBA. If the proceeds of loans were used by Vesync US for Eligible Expenses, then Vesync US may apply for loan forgiveness of all Eligible Expenses excluding interest on outstanding non-mortgage debt, and existing EIDL balances not used for forgivable purposes from the SBA.

14. EVENTS AFTER THE REPORTING PERIOD

The Company announces that the Over-allotment Option and the announcement has been fully exercised by the Joint Global Coordinators, for themselves and on behalf of the International Underwriters, on 8 January, 2021, in respect of an aggregate of 42,150,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering at HK$5.52 per Offer Share. The additional net proceeds of approximately HK$225.7 million have been received by the Company from the allotment and issue of the Over-allotment Shares after deducting the underwriting fees and commission on 13 January 2021.

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 and smart home devices 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. By constantly introducing new products and iterating existing products with new technology, functionality, features and design, as well as building up our VeSync app which enables users to achieve centralized control of smart home devices for home automation experience, we could make our customers' daily life more convenient, efficient and enjoyable.

We are one of the market players in the small home appliance online market in the United States. In 2020, the business of the Group scaled up rapidly with a breakthrough growth in annual results and the Group's competitive edge in the industry was further enhanced.

FINANCIAL REVIEW

In 2020, the Group's revenue amounted to US$348.9 million. Gross profit was US$152.4 million, a year-on-year increase of 126.7%. The profit attributable to owners of the parent was US$54.7 million, representing an increase of 758.8% from US$6.4 million in 2019. The basic earnings per share was US6.76 cents (2019: US0.80 cents).

For the year ended December 31, 2020, the Group's overall revenue amounted to US$348.9 million, representing an increase of 103.0% compared with US$171.9 million recorded for the year ended December 31, 2019. This was mainly driven by the strong sales of various home products in terms of quantities sold, including Levoit air purifiers under the category of home environment appliances; Cosori air fryers under the category of kitchen appliances & dining wares; and Etekcity body weight scales and smart fitness scales under the category of health monitoring devices, when consumers in the U.S. and worldwide spent more time shopping online with increased demand for home products during COVID-19 pandemic. As a result of our successful marketing and advertising strategies in previous years, our key products, such as Levoit air purifiers and Cosori air fryers, achieved high rankings on Amazon in 2019, which enabled us to capture the robust consumer demand for home products and to benefit from the favorable market trends.

Business Review by Sales Channel

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

	2020	2019
	US$'000	*US$'000*
Seller Central	**102,340**	83,201
Vendor Central	**232,815**	87,284
Others	**13,767**	1,434
Total	**348,922**	171,919

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

Revenue generated from Vendor Central programme increased by 166.7% in 2020 primarily due to (i) increases in sales volume of products and (ii) increases in number of products sold to Amazon through the Vendor Central program.

Revenue generated from Seller Central programme increased by 23.0% in 2020 primarily due to (i) increases in sales volume of Etekcity body weight scale and Etekcity smart fitness scale; and ii) increased number of products sold to Amazon through Seller Central programme in Europe and Asia.

Sales growth in other channels in 2020 came primarily in the chain retailers. Revenue growth in the chain retailers came primarily from Levoit air purifier. As the reputation of our brands and products continues to grow, we have secured favorable positions in key chain retailers in the United States.

Business Review by Geographic

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

	2020	2019
	US$'000	*US$'000*
North America	**302,318**	148,634
Europe	**40,718**	21,976
Asia	**5,886**	1,309
Total	**348,922**	171,919

Revenue from North America increased by 103.4% in 2020, primarily driven by growth in revenue from United States. The revenue growth of United States was mainly attributable to the increased sales volume of i) home environment appliances such as Levoit air purifier; and ii) kitchen appliances & dining ware such as Cosori air fryer. Growth of Europe sales in 2020 came primarily from the United Kingdom, Italy and Germany. Revenue from Asia increased by 349.7% in 2020, primarily attributable to the increased sales in Japan.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended December 31, 2020, the overall gross profit and gross profit margin of the Group was US$152.4 million (2019: US$67.2 million) and 43.7% (2019: 39.1%) representing a year-on-year increase of approximately 126.7% and 4.6 percentage point, respectively. The increase in the overall gross profit and gross profit margin was mainly due to the (i) overall higher average selling prices; (ii) the decrease in the proportion of Amazon fulfillment fee of overall cost of sales; and (iii) our key product, air purifiers, was included in the product exclusion list and enjoyed exemptions from additional tariffs since mid-2019.

OTHER INCOME AND GAINS

Other income and gains of the Group primarily consist of (i) other income from our suppliers, (ii) government grants; (iii) foreign exchange difference, net; and (iv) bank interest income. The following table sets forth the breakdown of the Group's other income and gains:

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

	2020	2019
	US$'000	*US$'000*
Bank interest income	**10**	2
Government grants	**96**	187
Other income from suppliers	**—**	522
Foreign exchange gains, net	**—**	363
Others	**235**	108
Total	**341**	1,182

For the year ended December 31, 2020, other income and gains of the Group recorded approximately US$341,000 (2019: US$1.2 million), representing a year-on-year decrease of approximately 71.2%. This was mainly attributable to the decrease of (i) other income from our suppliers; (ii) government grants; and (iii) foreign exchange gains, net.

SELLING AND DISTRIBUTION EXPENSES

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

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

	2020	2019
	US$'000	*US$'000*
Marketing & advertising expenses	**12,270**	14,556
Commission to platform	**17,180**	12,809
Staff cost	**8,203**	4,920
Warehousing expenses	**6,273**	3,985
Others	**3,315**	1,509
Total	**47,241**	37,779

The Group's selling and distribution expenses increased by 25.0% from US$37.8 million for the year ended December 31, 2019 to US$47.2 million for year ended December 31, 2020. The increase in overall selling and distribution expenses was driven by (i) the increase in commission to platform as our sales generated through the Seller Central program increased; and (ii) an increase in staff cost due to expansion of our sales and marketing team to support our robust business growth in 2020.

ADMINISTRATIVE EXPENSES

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

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

	2020	2019
	US$'000	*US$'000*
Research & development	**10,459**	8,178
Administrative staff costs	**11,974**	4,948
Professional fees	**9,917**	3,369
Office expenses	**2,710**	1,777
Depreciation & amortisation	**1,931**	1,269
Travelling and entertainment expenses	**444**	687
Others	**1,485**	1,025
Total	**38,920**	21,253

The Group's administrative expenses increased by approximately 83.1% from US$21.3 million for the year ended December 31, 2019 to US$38.9 million for the year ended December 31, 2020, primarily due to (i) an increase in research and development expenses to prepare for product upgrades and new products; and (ii) a significant increase in our professional fees mainly caused by listing expenses incurred in the preparation of the Listing and other consulting fees.

OTHER EXPENSES

The Group's other expenses increased by approximately 365.2% from US$1.1 million for the year ended December 31, 2019 to US$5.3 million for the year ended December 31, 2020, primarily due to foreign exchange net loss.

FINANCE COST

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

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

	2020	2019
	US$'000	*US$'000*
Interest on bank loans and other borrowings	**444**	862
Interest on loans from related parties	**85**	196
Interest on loans from Employees	**—**	17
Interest on lease liabilities	**611**	208
Total	**1,140**	1,283

The Group's finance costs remained stable at US$1.3 million for the year ended December 31, 2019 and US$1.1 million for the year ended December 31, 2020. Interest on bank loans and other borrowings decreased due to repayment of bank loans during the year ended December 31, 2020 while the interest on lease liabilities increased due to new leases secured for our new warehouse in the United States and new office in Germany during the year ended December 31, 2020.

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 operate. Subsidiaries located in the PRC were subject to PRC corporate income tax at a rate of 25% on the assessable profit generated during 2020.

The Group's subsidiary Shenzhen Chenbei, currently qualified as a high and new technology enterprise under the PRC income tax law, has been entitled to preferential tax rate of 15% during 2020. According to the EIT Law and the relevant regulations and rules promulgated by the State Taxation

Administration, enterprises engaging in research and development activities are entitled to claim 175% since 2018 as tax deductible expenses when determining their assessable profit for that year subject to certain conditions stipulated therein ("R&D Deduction").

The Group's subsidiary, Chongqing Xiaodao, currently qualified small and micro-sized enterprise, is entitled to a preferential income tax rate of 5% on the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 10% on the taxable income between RMB1,000,000 and RMB3,000,000 during 2020.

During 2020, the Group's U.S. subsidiaries 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. Our Hong Kong subsidiary was subject to Hong Kong profit tax at a rate of 16.5% during 2020. Our European subsidiaries, which operated in Netherlands and Germany were subject to corporate income tax at a rate of 16.5% and 15%, respectively on taxable income.

Income tax expenses of the Group increased from an income tax expense of US$0.6 million for the year ended December 31, 2019 to an income tax expense of US$5.3 million for the year ended December 31, 2020, primarily due to the strong growth of taxable income driven primarily by the increased sales in the United States and other countries, and the decrease in the selling and distribution expenses in percentage of revenue, which is partially netted off by the increase in deferred tax asset mainly arising from unrealized profit from inter-company transactions.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, the Group had a profit attributable to owners of parent of US$54.7 million for the year ended December 31, 2020, compared with a profit attributable to owners of parent of US$6.4 million for the year ended December 31, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group has met our 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 US$9.1 million as of December 31, 2019 and US$183.5 million as of December 31, 2020. The cash and cash equivalents of the Group are mainly denominated in US$ and HK$.

As of December 31, 2020, the Group had total bank borrowings of approximately US$2.9 million, which were all denominated in US$ and at fixed interest rates (2019: approximately US$18.4 million).

The table sets forth a breakdown of the bank borrowings of the Group as of December 31, 2020.

	2020	2019
	US$'000	*US$'000*
Interest-bearing bank borrowings (current portion)	**2,888**	18,354
Total	**2,888**	18,354

The table below sets forth the aging analysis of the repayment terms of interest-bearing bank borrowings as of December 31, 2020.

	2020	2019
	US$'000	*US$'000*
Bank loans repayable:		
Within one year or on demand	**2,888**	18,354
	2,888	15,786
Other borrowings repayable:		
Within one year or on demand	**—**	2,568
Total	**2,888**	18,354

TREASURY POLICY

The Group adopts a prudent approach in its cash management and risk control. Most of our sales are denominated in US$, with the remaining mainly denominated in currencies of the countries to which we sell our products. The Group pays subcontractors and suppliers (including those located in the PRC) mainly in US$ 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$2.2 million for the year ended December 31, 2020 (2019: Nil).

As of December 31, 2020, 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. To the extent possible, gains and losses of the derivatives offset the losses and gains of the assets, liabilities or transactions being hedged.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Company did not have any acquisitions or disposals of subsidiaries, associates and joint ventures from the Listing Date and up to December 31, 2020.

As at December 31, 2020, there was no significant investment held by the Group or future plans for significant investments or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2020, the Group had 693 employees in total, in which 583 employees were in the PRC, 105 employees were in the Unites States and 5 employees were in other locations. For the year ended December 31, 2020, the Group recognized staff costs of US$27.0 million (2019: US$17.0 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 provide 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.

The Company also adopted a training policy, pursuant to which trainings 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 offer 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, maternity benefits.

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 Pre-IPO share award scheme and the share option scheme.

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

CONTINGENT LIABILITIES

As at December 31, 2020, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As of December 31, 2020, there is no charges on assets by the Group (2019: US$0.6 million).

GEARING RATIOS

As at December 31, 2020, 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 5.7% (December 31, 2019: 162.6%).

IMPACT OF COVID-19

Toward the end of 2019, a respiratory illness caused by a highly infectious novel coronavirus was detected. The World Health Organization ("WHO"), later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The outbreak has resulted in a high number of fatalities and caused an adverse impact on the livelihood of the people and the economy worldwide.

Measures taken by various governments to contain the virus have affected economic activity. We have implemented a contingency plan and a number of measures to monitor and mitigate the effects of COVID-19: i) adopted enhanced hygiene and precautionary measures across our offices worldwide; ii) contacted with multiple logistic companies for product deliveries to ensure delivery on time; and iii) adopted measures to increase our sales on other e-commerce marketplaces to diversify our sales channels in case Amazon's operations are interrupted by the COVID-19 outbreak.

At this stage, the impact on our business and results has been insignificant and has a positive effect on our business and results. As customers spent more time shopping online due to the stay home orders and other lock down measures imposed by the United States, the Group has found increased demand for our home products and a growth of our revenue, which was largely generated from online sales, increased to US$348.9 million for the year ended December 31, 2020, partially offset the decreased sales in outdoor recreation products, such as air mattress and camping lanterns. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our employees. Moreover, we will monitor the situation and update Shareholders and potential investors as and when appropriate.

FUTURE OUTLOOK

Due to the slowdown in global economic growth and the Sino-U.S. trade war, as well as the outbreak of COVID-19 in the end of 2019 which has resulted in a high number of fatalities and caused an adverse impact on the livelihood of the people and the economy worldwide, the home appliance industry was impacted to a certain degree during 2020. Looking ahead, the situation of macro environment, Sino-U.S. trade war and COVID-19 pandemic is still unclear.

However, as stay home orders and other lock down measures imposed by the United States implemented, online retail sales have accelerated rapidly. Our revenue and gross profit, which was largely generated from online sales and small home appliances, increased to US$348.9 million and US$152.4 million for the year ended December 31, 2020.

The global market size of e-commerce has grown rapidly, driven by the continuous increase of mobile Internet and third-party payment penetration which leave customers no limitation of time and places when placing the order online. With the adoption of logistics with highly integrated transportation, warehouse management solution and efficiency delivery, e-commerce giants are expected to provide their customers with more enjoyable and efficient online shopping experience, which could i) support our marketing strategies and global penetration; and ii) be beneficial for the Group to maintain the leading position and gain further market share in the online market.

To fulfill our mission to "build a better living", we intend to pursue the following strategies: i) further upgrade our product mix and expand our product portfolio; ii) expand geographic coverage and sales channels leveraging our brand recognition; and iii) continue to invest in technologies with an aim to develop VeSync 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. The smart air fryer and smart oven which combines baking and air frying functions in one oven have been launched by the fourth quarter of 2020. In addition, we have launched the smart security solutions, comprised with hardware and software, for business clients by the end of 2020, by successfully leveraging our expertise and experience on smart home devices.

We also plan to enlarge our market presence in our existing major markets including the North America, Europe and Japan. As of the year ended December 31, 2020, we have started business relationship with e-commerce operators such as Amazon and other renowned American chain retailers, such as Walmart, Best Buy, Target and Bed Bath & Beyond, selling smart home devices and small home appliances. Moreover, We plan to expand our sales channels by increasing sales on our own websites, and we are also planning to sell products via our VeSync app.

We plan to continue to invest significant resources to enhance our technology, software and data insights and to enable increasingly human-like interactions between users and our smart products in few ways: i) integrate lighting, temperature, home security, healthcare, communications and other functions into a unified and personalized home automation solution; ii) open up the home IoT platform to selected devices developed by third parties to provide a more comprehensive experience to users; iii) further strengthen our big data capabilities, which will enable us to introduce innovative smart home devices and services that can better address our users' needs and preferences, and provide solutions for their scenario-driven needs within the home environment and; iv) build a big data analysis center, which can collect data, analyze user behaviors and product conditions, alert problems and generate possible solutions.

In 2021, the Group will continue to carry out internal and external reforms and innovations around consumer needs, actively deploy more sales channels, continue to improve the internal control system and construction, effectively improve the Group's internal control governance and overall profitability, continue to strengthen or expand our market share, and achieve further growth in 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The over-allotment option has been fully exercised by the Joint Global Coordinators (as defined in the Prospectus), for themselves and on behalf of the International Underwriters (as defined in the Prospectus), on January 8, 2021, in respect of an aggregate of 42,150,000 Shares (the "**Over-allotment Shares**"), representing approximately 15% of the total number of the offer shares initially available under the Global Offering before any exercise of the over-allotment option. The Over-allotment Shares were allotted and issued by the Company on January 13, 2021 at HK$5.52 per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), being the offer price per offer share under the Global Offering.

FINAL DIVIDEND

The Board resolved to recommend to the Shareholders at the 2021 AGM of a final dividend of HK12.74 cents (equivalent to approximately US1.64 cents) per Share for the Reporting Period (2019: Nil) to be paid on Wednesday, July 21, 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, May 31, 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2021 AGM to be held on Friday, May 21, 2021, the register of members of the Company will be closed from Saturday, May 15, 2021 to Friday, May 21, 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2021 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, May 14, 2021.

For determining the entitlement of the Shareholders to the proposed final dividend for the Reporting Period, the register of members of the Company will be closed from Thursday, May 27, 2021 to Monday, May 31, 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the entitlement of the proposed final dividend, 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 Wednesday, May 26, 2021.

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 period from the Listing Date and up to December 31, 2020.

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 period from the Listing Date and up to December 31, 2020.

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 A.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 period from the Listing Date up to December 31, 2020.

Under the code provision A.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, 2020, including the accounting principles and practice adopted by the Group. 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 31 December 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 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 Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.vesync.com). The 2020 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

DEFINITIONS

"2021 AGM"	the forthcoming annual general meeting of the Company to be held on Friday, May 21, 2021
"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
"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
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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, 2020
"Seller Central"	refers to the seller program on Amazon, where retail customers purchase products through Amazon e-commerce marketplace directly from the seller
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Trust"	a discretionary trust established on June 16, 2020 with the Company as the settlor and Bank of Communications Trustee Limited as the trustee
"Share Option Scheme"	the share option scheme conditionally 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
"Vendor Central"	refers to the seller program on Amazon, where Amazon makes a bulk purchase order for sellers' products which Amazon then sells to its customers through Amazon e-commerce marketplace under its own account
"%"	per cent

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

Hong Kong, March 29, 2021

As at 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.