Vesync Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-
	2021	2020	year change
	US$'000	*US$'000*	
Revenue	**454,250**	348,922	30.2%
Gross profit	**176,107**	152,419	15.5%
Gross profit margin	**38.8%**	43.7%	(4.9) p.p.
Profit before tax	**51,009**	60,057	(15.1)%
Profit for the year attributable to owners of the parent	**41,588**	54,723	(24.0)%
Profit margin	**9.2%**	15.7%	(6.5) p.p.
Earnings per share attributable to ordinary equity holders of the parent			
Basic	**US3.68 cents**	US6.76 cents	(45.6)%
Diluted	**US3.68 cents**	US6.74 cents	(45.4)%

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended 31 December 2021:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** **US$'000**	2020 US$'000
REVENUE	*4*	**454,250**	348,922
Cost of sales		**(278,143)**	(196,503)
Gross profit		**176,107**	152,419
Other income and gains	*4*	**1,377**	341
Selling and distribution expenses		**(68,833)**	(47,241)
Administrative expenses		**(51,135)**	(38,920)
Impairment losses on financial assets, net		**(172)**	(141)
Other expenses		**(5,572)**	(5,261)
Finance costs	*6*	**(763)**	(1,140)
PROFIT BEFORE TAX	*5*	**51,009**	60,057
Income tax expense	*7*	**(9,421)**	(5,334)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**41,588**	54,723
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,097**	2,029
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,097**	2,029
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**42,685**	56,752
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**US3.68 cents**	US6.76 cents
Diluted	*9*	**US3.68 cents**	US6.74 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 US$'000	2020 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,477**	1,858
Right-of-use assets		**12,398**	11,056
Other intangible assets		**288**	406
Other non-current assets		**478**	280
Investment in a joint venture		**12,202**	—
Pledged deposits		**560**	—
Deferred tax assets		**14,735**	17,002
Total non-current assets		**45,138**	30,602
CURRENT ASSETS			
Inventories	*10*	**128,547**	95,598
Trade receivables	*11*	**106,019**	35,241
Prepayments, other receivables and other assets		**21,721**	24,577
Tax recoverable		**968**	256
Derivative financial assets		**120**	—
Pledged deposits		**31,635**	—
Cash and cash equivalents		**126,659**	183,450
Total current assets		**415,669**	339,122
CURRENT LIABILITIES			
Trade payables	*12*	**37,739**	45,617
Other payables and accruals		**36,945**	27,217
Provision		**1,931**	1,999
Interest-bearing bank borrowings	*13*	**34,900**	2,888
Lease liabilities		**4,098**	2,634
Tax payable		**17,084**	17,040
Derivative financial liabilities		**119**	—
Total current liabilities		**132,816**	97,395
NET CURRENT ASSETS		**282,853**	241,727
TOTAL ASSETS LESS CURRENT LIABILITIES		**327,991**	272,329

	2021	2020
	US$'000	*US$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**327,991**	272,329
NON-CURRENT LIABILITIES		
Lease liabilities	**9,538**	9,183
Provision	**3,815**	3,015
Total non-current liabilities	**13,353**	12,198
Net assets	**314,638**	260,131
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,503**	1,449
Share premium	**199,885**	189,625
Reserves	**113,250**	69,057
Total equity	**314,638**	260,131

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

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

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

The Group had certain interest-bearing bank borrowings denominated United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "economically equivalent" criterion is met.

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

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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:***

	2021	2020
	US$'000	*US$'000*
North America	**358,060**	302,318
Europe	**81,041**	40,718
Asia	**15,149**	5,886
Total	**454,250**	348,922

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***

	2021	2020
	US$'000	*US$'000*
North America	**6,837**	8,471
Mainland China	**10,210**	4,359
Hong Kong	**12,650**	519
Europe	**123**	166
Other	**583**	85
Total	**30,403**	13,600

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$338,536,000 for the year ended 31 December 2021 (2020: US$232,815,000), 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:

	2021	2020
	US$'000	*US$'000*
Revenue from contracts with customers	**454,250**	348,922

(i) Disaggregated revenue information

	2021	2020
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**454,250**	348,922

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:

	2021	2020
	US$'000	*US$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of products	**1,290**	180

(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, certain Vendor Central and other marketplace channels provide customers with a right of return within 30 days, sometimes extending up to 60 days.

At 31 December 2021, 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

	2021	2020
	US$'000	*US$'000*
Refund liabilities arising from sales return	**282**	595
Refund liabilities arising from promotion rebates	**12,390**	7,906
	12,672	8,501

An analysis of other income and gains is as follows:

	2021	2020
	US$'000	*US$'000*
Other income		
Bank interest income	**665**	10
Government grants*	**469**	96
Others	**203**	235
	1,337	341
Gains		
Fair value gains, net:		
Derivative instruments — transactions not qualifying as hedges	**40**	—
	1,377	341

* In April 2020, the Group's two subsidiaries in the United States received loans of US$2,727,000 in total under the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA"). The PPP is a part of the Coronavirus Aid, Relief, and Economic Security Act enacted by the United States Congress on 27 March 2020 in response to the COVID-19 pandemic. The repayment of these loans, including interest, will

be waived if the above mentioned received loans comply with certain requirements of the PPP loan program, which should be approved by SBA. The Group submitted applications for the forgiveness of the PPP loans on 26 March 2021, and received the notice of PPP forgiveness payment from the SBA regarding the approval of forgiveness of US$157,000 on 17 May 2021 in principal and associated interest, which was recognised as government grants.

The remaining 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 encourage 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	**2021** **US$'000**	2020 *US$'000*
Cost of inventories sold		**207,962**	153,315
Amazon fulfilment fee		**12,162**	17,664
Commission to platform		**12,839**	17,180
Research and development costs*		**17,308**	10,459
Depreciation of property, plant and equipment		**1,306**	706
Amortisation of other intangible assets**		**510**	266
Depreciation of right-of-use assets		**4,048**	2,702
Auditor's remuneration		**780**	504
Lease payments not included in the measurement of lease liabilities		**2,323**	1,272
Listing expenses		**—**	4,460
Loss on disposal of items of property, plant and equipment		**15**	4
Interest income		**(665)**	(10)
Fair value gains, net:			
— Derivative instruments-transactions not qualifying as hedges		**(40)**	—
Foreign exchange differences, net		**4,190**	2,239
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**32,579**	20,828
Pension scheme contributions		**6,120**	1,512
Staff welfare expenses		**2,796**	3,266
Equity-settled share award expense		**950**	166
		42,445	25,772
Impairment of trade receivables, net	*11*	**172**	141
Impairment of inventories, net***	*10*	**1,625**	3,210
Product warranty provision:			
Additional provision		**958**	1,096

* 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 statement of profit or loss and other comprehensive income.

*** 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:

	2021	2020
	US$'000	*US$'000*
Interest on bank loans and other borrowings	**88**	444
Interest on loans from a related party	**—**	85
Interest on lease liabilities	**675**	611
	763	1,140

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% (2020: 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% (2020: 15%) during the year.

Chongqing Xiaodao is entitled to a preferential income tax rate of 2.5% (2020: 5%) for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 10% (2020: 10%) for the taxable income between RMB1,000,000 and RMB3,000,000 during the year.

Dongguan Zhilun 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 10% 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% on the estimated assessable profits arising in Macau during the year.

United States

Pursuant to the relevant tax laws of the United States, tax at a maximum of 21% (2020: 21%) federal corporate income tax rate and 8.84% (2020: 8.84%) California state tax rate has been provided on the taxable income arising in the United States during the year.

Netherlands and Germany

Subsidiary in the Netherlands is entitled to a preferential income tax rate of 15% (2020: 16.5%) for the taxable income less than or equal to EUR245,000 and aan income tax rate of 25% (2020: 25%) for the taxable income over EUR245,000. Subsidiary in Germany is entitled to a combined tax rate of 29.13% (2020:29.13%), 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:

	2021	2020
	US$'000	*US$'000*
Current tax:		
— Mainland China	**545**	1,701
Charge for the year	**264**	1,701
Underprovision in prior years	**281**	—
— Hong Kong	**—**	14,742
— Macau	**2,658**	—
— United States	**3,148**	3,017
Charge for the year	**2,321**	3,017
Underprovision in prior years	**827**	—
— Netherlands and Germany	**804**	19
Deferred tax	**2,266**	(14,145)
Total tax charge for the year	**9,421**	5,334

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:

	2021	2020
	US$'000	*US$'000*
Profit before tax	**51,009**	60,057
Tax at the statutory tax rates	**10,612**	6,379
Preferential income tax rates applicable to subsidiaries	**(1,743)**	(1,554)
Expenses not deductible for tax	**1,234**	1,126
Additional deduction allowance for research and development costs	**(2,160)**	(793)
Tax losses utilised from previous years	**(47)**	(142)
Effect on opening deferred tax of decrease in rate	**—**	9
Adjustments in respect of current tax of previous period	**1,108**	—
Tax losses not recognised	**417**	309
Tax charge at the Group's effective rate	**9,421**	5,334

8. DIVIDENDS

	2021	2020
	US$'000	*US$'000*
Proposed final ordinary — HK6.40 cents (2020: HK12.74 cents) per ordinary share	**9,274**	18,561
Proposed final special — HK6.40 cents (2020: Nil) per ordinary share	**9,274**	—
	18,548	18,561

The proposed final dividend for the year ended 31 December 2021 amounting to a total of approximately HK$149,126,000 (equivalent to approximately US$19,107,000) is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. After eliminating the dividend of HK$4,365,000 (equivalent to approximately US$559,000) which will be declared to Bank of Communications Trustee Limited ("BOCT"), the trustee of the Pre-IPO Share Award Scheme, the final 2021 cash dividend is US$18,548,000.

The cash dividend for the year ended 31 December 2020 amounting to a total of approximately HK$148,453,000 (equivalent to approximately US$19,121,000) was approved by the Company's shareholders on 21 May 2021 and was fully paid during the year. After eliminating the dividend of HK$4,345,000 (equivalent to approximately US$560,000) declared to BOCT, the final 2020 cash dividend was US$18,561,000.

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 1,129,672,995 (2020: 810,008,219) in issue during the year, as adjusted to reflect the overallotment of shares and 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.

No adjustment has been made to the basic earnings per share amounts presents for the year ended 31 December 2021 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2021	2020
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**41,588**	54,723

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	**1,129,672,995**	810,008,219
Effect of dilution — weighted average number of ordinary shares:		
Shares awarded	**—**	1,336,985
	1,129,672,995	811,345,204

10. INVENTORIES

	2021	2020
	US$'000	*US$'000*
Raw materials	**596**	420
Work in progress	**450**	43
Finished goods	**133,518**	99,527
	134,564	99,990
Less: Provision for inventories	**(6,017)**	(4,392)
	128,547	95,598

11. TRADE RECEIVABLES

	2021	2020
	US$'000	*US$'000*
Trade receivables	**106,398**	35,777
Impairment of trade receivables	**(379)**	(536)
	106,019	35,241

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 receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	US$'000	*US$'000*
Less than 3 months	**104,089**	34,965
Between 3 and 6 months	**1,633**	245
Between 6 and 12 months	**210**	23
Between 1 and 2 years	**87**	8
	106,019	35,241

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

	2021	2020
	US$'000	*US$'000*
At beginning of year	**536**	424
Impairment losses, net	**172**	141
Written off	**(329)**	—
Exchange realignment	**—**	(29)
At end of year	**379**	536

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 2021

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

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

12. TRADE PAYABLES

	2021 ***US$'000***	2020 *US$'000*
Trade payables	**37,739**	45,617

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

	2021 ***US$'000***	2020 *US$'000*
Within 3 months	**36,566**	37,741
3 to 12 months	**795**	7,630
Over 1 year	**378**	246
	37,739	45,617

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

13. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2021			As at 31 December 2020		
	Effective interest rate *(%)*	**Maturity**	***US$$'000***	Effective interest rate *(%)*	Maturity	*US$$'000*
Current						
Bank overdraft — unsecured *(a)*	**—**	**2022**	**229**	—	2021	161
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$1,511,000 Bank loans — unsecured	**2.4**	**2022**	**1,511**	—	—	—
US$2,572,000 Bank loans — secured (c)	**1**	**2022**	**2,572**	1	2021	2,572
US$155,000 Bank loans — secured	**—**	**—**	**—**	1	2021	155
			34,900			2,888

	2021	2020
	US$'000	*US$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**34,900**	2,888

* LPR rate refers to Loan Prime Rate

Notes

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

(b) Certain of the Group's bank loans are secured by the pledge of time deposits with maturity of 3 and 6 months.

(c) The bank loan of total US$2,572,000 is the Paycheck Protection Program ("PPP") Loan administered by the Small Business Administration ("SBA"). The PPP is a part of the Coronavirus Aid, Relief and Economic Security Act enacted by the United States Congress on 27 March 2020 in response to the COVID-19 pandemic. The repayment of this loan, including interest, will be forgiven if the above mentioned received loan comply with the forgiveness requirement of the PPP loan program, which should be approved by the SBA. As at 31 December 2021, the loan has not been approved for forgiveness and should be repaid on 4 May 2022.

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.

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. In 2021, with our goal to foster a connected lifestyle, we launched more smart products such as the Levoit Core 400s Smart Air Purifier and Dual 200s Smart Humidifier, Cosori Aeroblaze Indoor Grill and Dual Blaze Smart Air Fryer, and Etekcity Apex Smart BMI (Body mass index) Fitness Scale.

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. As of December 31, 2021, there were approximately 2.8 million activated devices on our VeSync app, representing an increase of approximately 55.6% as compared with approximately 1.8 million as of December 31, 2020, and the number of download of VeSync app in Apple Store ranked No. 81 in the Lifestyle category as of December 31, 2021, improved by 90 placements as compared with No. 171 as of December 31, 2020.

We are one of the market players in the small home appliance online market in the United States. In 2021, Levoit grew its market share[*Note*] within air purifiers by 5.2 percentage point to 22.6% and humidifiers by 3.7 percentage point to 8.6%, while Cosori's market share[*Note*] within air fryers grew to 4.9% in the United States according to the statistics of NPD Group, Inc. ("**NPD**").

FINANCIAL REVIEW

In 2021, the Group's revenue amounted to US$454.3 million. Gross profit was US$176.1 million, representing an increase of 15.5% as compared to that for the year ended December 31, 2020. The profit attributable to owners of the parent was US$41.6 million, representing an decrease of 24.0% as compared to US$54.7 million in 2020. The basic earnings per share was US3.68 cents (2020: US6.76 cents).

For the year ended December 31, 2021, the Group's overall revenue amounted to US$454.3 million, representing an increase of 30.2% as compared with US$348.9 million recorded for the year ended December 31, 2020. This was mainly driven by the strong sales of various home products in terms of quantities sold, including Levoit air purifiers and humidifiers, Cosori air fryers, and Etekcity body weight scales and smart fitness scales, as consumers in the U.S. and worldwide have gradually accustomed to the new norm under the COVID-19 pandemic and many of them have modified their

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Note: The above figures are according to the statistics of NPD on the U.S. channels it covers. The 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 turns of unit from the retailer/data partner.

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 newly launched products such as Levoit air humidifier and air purifier achieved high rankings on Amazon in 2021, and our key products, such as Levoit air purifiers and Cosori air fryers, maintained their ranking positions on Amazon in 2021 as compared with those of 2020, which enabled us to capture the online traffic from keyword searches on Amazon and robust consumer demand for home products, thereby benefitted 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:

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Seller Central	**74,741**	102,340
Vendor Central	**338,536**	232,815
Others	**40,973**	13,767
Total	**454,250**	348,922

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.

Revenue of the Group generated from the Vendor Central program increased by 45.4% in 2021 primarily due to (i) the increases in sales volume of products and (ii) our channel strategy of completely shifting our program type on Amazon from the Seller Central program to the Vendor Central program in the United States.

Revenue of the Group generated from the Seller Central program decreased by 27.0% in 2021 primarily due to our channel strategy of completely shifting our program type on Amazon from the Seller Central program to the Vendor Central program in the United States.

Sales growth of the Group in other channels in 2021 came primarily from the chain retailers, representing a year-on-year increase of 197.6% as compared with that of 2020. 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) the increases in the number of offline stores we entered in 2021. As the reputation of our brands, products and our track records in chain retailers continues to grow, we have secured favorable shelf positions in key chain retailers in the United States.

Business Review by Geographic Location

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

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
North America	**358,060**	302,318
Europe	**81,041**	40,718
Asia	**15,149**	5,886
Total	**454,250**	348,922

Revenue generated from North America increased by 18.4% in 2021, primarily driven by growth in revenue from the United States. The revenue growth from the United States was mainly attributable to the increase in sales volume of (i) home environment appliances such as the Levoit air purifier and air humidifier; and (ii) kitchen appliances and dining ware such as Cosori air fryer. The Group's revenue in European sales in 2021 increased by approximately 99.0% to US$81.0 million as compare to that of 2020, which were primarily due to (i) increases in sales in Great Britain, Germany, Spain and Italy and (ii) the increase in sales volume of Cosori and Levoit products, which were partially offset by the decrease in sales volume of Etekcity products. Revenue from Asia increased by 157.4% in 2021, primarily attributable to the increased sales in Japan and China.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended December 31, 2021, the gross profit of the Group was US$176.1 million (2020: US$152.4 million), representing a year-on-year increase of approximately 15.5%. The increase in gross profit was mainly due to the higher sales recongnized for the year ended December 31, 2021. For the year ended December 31, 2021, the gross profit margin of the Group was 38.8% (2020: 43.7%) representing a year-on-year decrease of approximately 4.9 percentage points. The decrease in the gross profit margin was attributable to: (i) the increase in the proportion of shipping and insurance cost to the overall cost of sales. The year of 2021 saw a sudden and unusual price increase in global container freight market, bringing extra freight and insurance cost of approximately US$14.4 million to the cost of sales as compared to that for the year ended December 31, 2020, and resulting in approximately 3.2p.p decrease of the gross profit margin for the year ended December 31, 2021; (ii) the Group's key products, air purifiers and air fryers were included in the product list of additional tariffs since January 1, 2021, bringing extra customs duties of approximately US$16.4 million to the cost of sales and resulting in approximately 3.6p.p. decrease of the gross profit margin for the year ended December 31, 2021; and (iii) the increase of subcontracting cost due to the soared price of raw material in 2021, partially offset by the increases in average selling price of Levoit air purifier filters and the decrease in Amazon fulfillment fee.

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:

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Bank interest income	**665**	10
Government grants	**469**	96
Fair value gains, net	**40**	—
Others	**203**	235
Total	**1,377**	341

For the year ended December 31, 2021, other income and gains of the Group recorded approximately US$1.4 million (2020: US$0.3 million), representing a year-on-year increase of approximately 304.0%. This was mainly attributable to (i) the increase of bank interest income; and (ii) the increase of government grant under the Paycheck Protection Program ("**PPP**") administered by the Small Business Administration ("**SBA**").

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:

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Marketing & advertising expenses	**21,165**	12,270
Commission to platform	**12,839**	17,180
Staff cost	**12,763**	8,203
Warehousing expenses	**17,624**	6,273
Others	**4,442**	3,315
Total	**68,833**	47,241

The Group's selling and distribution expenses increased by 45.7% from US$47.2 million for the year ended December 31, 2020 to US$68.8 million for year ended December 31, 2021. 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 2021; and (iii) the increase in warehousing expenses as the Group's inventory increased during 2021, which was partially offset by the decrease in commission to platform as the Group's sales generated through the Seller Central program decreased.

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; (v) depreciation and amortization; and (vi) traveling and entertainment expenses.

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

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Research and development	**17,308**	10,459
Administrative staff costs	**19,088**	11,974
Professional fees	**4,499**	9,917
Office expenses	**3,987**	2,710
Depreciation & amortization	**3,632**	1,931
Travelling and entertainment expenses	**505**	444
Others	**2,116**	1,485
Total	**51,135**	38,920

The Group's administrative expenses increased by approximately 31.4% from US$38.9 million for the year ended December 31, 2020 to US$51.1 million for the year ended December 31, 2021, primarily due to (i) the increase in research and development expenses to prepare for product upgrades and new products; and (ii) the increase in office expenses as the number of staff increased during 2021. The increase in administrative expenses was partially offset by the decrease in professional fee.

OTHER EXPENSES

The Group's other expenses remained relatively stable at US$5.6 million for the year ended December 31, 2021 (2020: US$5.3 million).

FINANCE COST

Finance costs of the Group primarily represent (i) interest on bank loans; (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:

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Interest on bank loans	**88**	444
Interest on loans from related parties	**—**	85
Interest on lease liabilities	**675**	611
Total	**763**	1,140

The Group's finance costs decreased from US$1.1 million for the year ended December 31, 2020 to US$0.8 million for the year ended December 31, 2021, primarily due to the decrease in interest on bank loans.

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 2021.

The Group's subsidiary, Shenzhen City Chenbei Technology Company Limited, 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 2021.

The Group's subsidiary, Chongqing Xiaodao Information Technology Company Limited, is currently qualified as small and micro-sized enterprise, and was entitled to a preferential income tax rate of 2.5% 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 2021.

Dongguan Zhilun 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 10% for the taxable income between RMB1,000,000 and RMB3,000,000 during the year.

During 2021, all of the Group'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.

The Group'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 2021.

The Group'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.

Income tax expenses of the Group increased from approximately US$5.3 million for the year ended December 31, 2020 to approximately US$9.4 million for the year ended December 31, 2021, primarily due to the strong growth of taxable income driven primarily by the increased sales and profit in the United States and other countries, and decrease in deferred tax assets mainly arising from the 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$41.6 million for the year ended December 31, 2021, compared with a profit attributable to owners of parent of US$54.7 million for the year ended December 31, 2020.

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 US$183.5 million as of December 31, 2020 and US$126.7 million as of December 31, 2021. The cash and cash equivalents of the Group are mainly denominated in RMB, US$ and EUR.

As of December 31, 2021, the Group had total bank borrowings of approximately US$34.9 million (2020: approximately US$2.9 million), which were all denominated in US$ and RMB. Approximately US$4.3 million of the bank borrowings were at fixed interest rates and approximately US$30.6 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, 2021:

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Interest-bearing bank borrowings (current portion)	**34,900**	2,888
Total	**34,900**	2,888

The table below sets forth the aging analysis of the repayment terms of interest-bearing bank borrowings as of December 31, 2021:

	2021	2020
	US$'000	*US$'000*
	(audited)	(audited)
Bank loans repayable:		
Within one year or on demand	**34,900**	2,888
Total	**34,900**	2,888

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$4.2 million for the year ended December 31, 2021 (2020: approximately US$2.2 million).

As of December 31, 2021, 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, 2021, 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, 2021.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2021, the Group had 1,236 employees in total, in which 1,089 employees were in the PRC, 144 employees were in the Unites States and 3 employees were in other locations. For the year ended December 31, 2021, the Group recognized staff costs of US$44.6 million (2020: approximately US$27.0 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 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, 2021, 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.

CONTINGENT LIABILITIES

As of December 31, 2021, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As of December 31, 2021, the Group's bank borrowings of approximately US$30.6 million were secured by pledged bank deposits (2020: Nil).

GEARING RATIO

As of December 31, 2021, 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 15.4% (December 31, 2020: 5.7%).

IMPACT OF COVID-19

The COVID-19 has so far by the end of December 2021 infected 285.6 million people globally and contributed to 5.4 million deaths, according to the World Health Organization ("**WHO**"). In 2021, 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. By the end of December 2021, world container shipping market imbalances still remained a concern, with the GCFI standing at US$9,293 per 40-foot container. The China Containerized Freight Index ("**CCFI**") recorded approximately 3,265 points in December 2021, representing a year-on-year increase of approximately 125.7% compared with 1,446 points recorded in December 2020. Such increase in CCFI was primarily due to: (i) the disruptions to the global supply chain, resulting in port congestions and container shortages; (ii) the temporary port closure due to the COVID-19 variants outbreak; and (iii) the strengthening of China's exports and improvement in the trade surplus. For the year ended December 31, 2021, the proportion of shipping and insurance cost to revenue increased from approximately 4.6% to 7.8%, lowering the Group's gross profit margin by 3.2 percentage points. We have maintained long-term relationships with multiple logistic companies and we introduced more trailer vendors for overseas cargo offloading and product deliveries to ensure on-time delivery.

At this stage, almost a year after COVID-19 has emerged, consumers worldwide have adapted to the "new normal": work-from-home mode for adults, study-at-home mode for children, temporary quarantine, the mandatory wearing of face masks in public and higher standards of public hygiene. As customers spent more time at home, the Group continued to capture the increasing demand for home products such as air purifiers, humidifiers and air fryers and a growth of our revenue, which was largely generated from Levoit and Cosori, increased to approximately US$401.7 million for the year ended December 31, 2021, partially offset by the decreased sales in outdoor recreation products, such as air mattress and camping lanterns. We will continue to follow various government policies and advice and, on the other hand, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our employees. Moreover, we will monitor the situation and update the Shareholders and potential investors of the Company as and when appropriate.

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 2022, we aim to continue focusing on the following strategies: (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. Cosori has launched new products such as coffee grinders, aeroblaze indoor grills and air fryers for the year ended December 31, 2021. In addition, we have launched new Levoit air purifiers and humidifiers in the year 2021, successfully leveraging our expertise and experience in smart home devices.

We also plan to enlarge our market presence in our existing major markets including North America, Europe and Japan. As of December 31, 2021, we have maintained long-term business relationship with e-commerce operators, such as C-discount, Rakutan and other renowned chain retailers in the United States, such as Target, Best Buy, Walmart, Home depot, Macy's, Costco and Wayfair, selling smart home devices and small home appliances. As of December 31, 2021, we have entered into over 7,649 stores or locations of above chain retailers in the United States.

Moreover, the Group's wholly-owned subsidiary, Ecomine Co., Ltd, entered into a joint venture agreement with Zhou Yang, Shenzhen Leqi Network Technology Co., Ltd (深圳市樂其網絡科技有限公司) and Shenzhen Shengrui Enterprise Management LLP (深圳市晟睿企業管理合夥企業(有限合夥)) which has deep roots and profound insight in the data technology industry and a fund of experience in the capital market. By actively seizing opportunities in data technology industry such as IoT and big data, we can further boost the product intellectualization and create synergy in our research and development process.

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.

FINAL DIVIDEND

The Board resolved to recommend to the Shareholders at the 2022 AGM of a final ordinary dividend of HK6.40 cents (equivalent to approximately US0.82 cents) per Share for the Reporting Period (2020: HK12.74 cents), and a final special dividend of HK6.40 cents (equivalent to approximately US0.82

cents) per share (collectively, the "**Proposed Final Dividends**") for the Reporting Period (2020: Nil) to be paid on Thursday, July 28, 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, June 10, 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2022 AGM to be held on Tuesday, May 31, 2022, the register of members of the Company will be closed from Thursday, May 26, 2022 to Tuesday, May 31, 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2022 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 Wednesday, May 25, 2022.

For determining the entitlement of the Shareholders to the Proposed Final Dividends, the register of members of the Company will be closed from Wednesday, June 8, 2022 to Friday, June 10, 2022, both days inclusive, during which period no transfer of Shares shall be registered. In order to qualify for the Proposed Final Dividends, all transfers of Shares accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, June 7, 2022.

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

During the Reporting Period, the Company repurchased a total of 205,000 Shares (the "**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HK$1,835,068.15. Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share Highest *(HK$)*	Price paid per Share Lowest *(HK$)*	Aggregate consideration *(HK$)*
June 2021	34,000	9.55	9.50	325,355.14
July 2021	171,000	8.84	8.71	1,509,713.01
Total	205,000			1,835,068.15

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 A.2.1 of the CG Code (which has been re-arranged as code provision C.2.1 since January 1, 2022) 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 A.2.1 of the CG Code (which has been re-arranged as code provision C.2.1 since January 1, 2022), 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, 2021, 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, 2021, but represents an extract from the consolidated financial statements for the year ended December 31, 2021 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 annual report of the Company for the year ended December 31, 2021 will be despatched to the Shareholders and published on the same websites in due course.

DEFINITIONS

"2022 AGM"	the forthcoming annual general meeting of the Company to be held on May 31, 2022
"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 Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Pre-IPO Share Award Scheme"	the pre-IPO share award scheme adopted by the Company on June 16, 2020 for the benefit of our employees
"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, 2021
"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

"%"	per cent
"IoT"	internet of things

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

Hong Kong, March 31, 2022

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.