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Vesync Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2148)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Year-on-year change
	2024	2023	
	(Unaudited) US\$'000	(Unaudited) US\$'000	
Revenue	296,194	276,932	7.0%
Gross profit	143,790	125,118	14.9%
Gross profit margin	48.5%	45.2%	3.3 p.p.
Profit before tax	52,674	33,620	56.7%
Profit for the period attributable to owners of the parent	44,857	32,619	37.5%
Profit margin	15.1%	11.8%	3.3 p.p.
Earnings per share attributable to ordinary equity holders of the parent			
Basic	US4.13 cents	US2.89 cents	42.9%
Diluted	US4.13 cents	US2.88 cents	43.4%

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Vesync Co., Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited consolidated interim results of the Group for the six months ended June 30, 2024.

The financial information below is an extract of the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) US\$'000	2023 (Unaudited) US\$'000
REVENUE	4	296,194	276,932
Cost of sales		<u>(152,404)</u>	<u>(151,814)</u>
Gross profit		143,790	125,118
Other income and gains	4	3,722	8,581
Selling and distribution expenses		(46,084)	(47,778)
Administrative expenses		(42,160)	(43,032)
Impairment losses on financial assets, net		(182)	(162)
Other expenses		(5,010)	(8,249)
Finance cost		(1,231)	(925)
Share of profits and losses of a joint venture		(171)	83
Share of profits and losses of an associate		<u>—</u>	<u>(16)</u>
PROFIT BEFORE TAX	5	52,674	33,620
Income tax expense	6	<u>(7,817)</u>	<u>(1,034)</u>
PROFIT FOR THE PERIOD		<u>44,857</u>	<u>32,586</u>

	2024	2023
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
PROFIT FOR THE PERIOD	<u>44,857</u>	<u>32,586</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Changes in fair value of trade receivables measured at fair value through other comprehensive income	(764)	—
Share of other comprehensive loss of a joint venture	(280)	(404)
Exchange differences on translation of foreign operations	<u>(3,583)</u>	<u>(2,533)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(4,627)</u>	<u>(2,937)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(4,627)</u>	<u>(2,937)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>40,230</u>	<u>29,649</u>
Profit attributable to:		
Owners of the parent	44,857	32,619
Non-controlling interests	<u>—</u>	<u>(33)</u>
	<u>44,857</u>	<u>32,586</u>
Total comprehensive income attributable to:		
Owners of the parent	40,230	29,682
Non-controlling interests	<u>—</u>	<u>(33)</u>
	<u>40,230</u>	<u>29,649</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	
Basic	<u>US4.13 cents</u>	<u>US2.89 cents</u>
Diluted	<u>US4.13 cents</u>	<u>US2.88 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	5,269	4,475
Right-of-use assets	12,710	7,453
Other intangible assets	3	17
Investment in a joint venture	10,400	10,851
Investment in an associate	60	60
Equity investments designated at fair value through other comprehensive income	1,726	1,778
Financial assets at fair value through profit or loss	3,355	—
Prepayments, other receivables and other assets	1,072	1,023
Pledged deposits	2,859	4,833
Time deposits	33,487	5,735
Deferred tax assets	22,733	23,022
	<u>93,674</u>	<u>59,247</u>
Total non-current assets		
CURRENT ASSETS		
Inventories	76,529	79,848
Trade and notes receivables	160,068	192,082
Prepayments, other receivables and other assets	26,825	18,420
Tax recoverable	50	321
Financial assets at fair value through profit or loss	10,961	—
Derivative financial assets	365	128
Pledged deposits	32,225	78,028
Time deposits	11,824	32,752
Cash and cash equivalents	160,906	104,308
	<u>479,753</u>	<u>505,887</u>
Total current assets		

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
CURRENT LIABILITIES			
Trade and notes payables	10	102,539	113,112
Other payables and accruals		79,691	59,558
Interest-bearing bank borrowings		12,681	29,584
Provision		16,945	16,604
Lease liabilities		4,326	3,532
Tax payable		7,923	5,644
Derivative financial liabilities		647	214
		<u>224,752</u>	<u>228,248</u>
Total current liabilities			
		<u>255,001</u>	<u>277,639</u>
NET CURRENT ASSETS			
		<u>348,675</u>	<u>336,886</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>348,675</u>	<u>336,886</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		—	219
Lease liabilities		8,562	4,984
Provision		4,167	4,167
		<u>12,729</u>	<u>9,370</u>
Total non-current liabilities			
		<u>12,729</u>	<u>9,370</u>
Net assets		<u>335,946</u>	<u>327,516</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,479	1,500
Treasury shares		(3,509)	(7,856)
Share premium		156,613	172,273
Reserves		181,363	161,599
		<u>181,363</u>	<u>161,599</u>
Total equity		<u>335,946</u>	<u>327,516</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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:*

	For the six months ended 30 June	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
North America	224,931	199,017
Europe	53,159	65,293
Asia	<u>18,104</u>	<u>12,622</u>
Total	<u><u>296,194</u></u>	<u><u>276,932</u></u>

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*

	30 June 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Audited)
	North America	8,663
China	19,464	18,462
Europe	36	55
Others	<u>279</u>	<u>68</u>
Total	<u><u>28,442</u></u>	<u><u>22,856</u></u>

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

Information about a major customer

Revenue of approximately US\$204,561,000 for the six months ended 30 June 2024 (2023: US\$214,923,000), 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:

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>296,194</u>	<u>276,932</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of products	<u>296,194</u>	<u>276,932</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>296,194</u>	<u>276,932</u>

(b) *Performance obligation*

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

Sale of products

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

At the end of the reporting period, 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.

An analysis of other income and gains is as follows:

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	2,741	1,520
Government grants*	131	2,433
Investment income	629	—
Others	221	99
	<u>3,722</u>	<u>4,052</u>
Gains		
Fair value gains, net:		
Derivative instruments		
— transactions not qualifying as hedges	—	1,196
Foreign exchange gains, net	—	3,333
	<u>—</u>	<u>3,333</u>
Total other income and gains	<u><u>3,722</u></u>	<u><u>8,581</u></u>

* 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:

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	126,544	128,242
Impairment of trade receivable and other receivables, net	182	162
Write-down of inventories to net realisable value, net	1,351	1,891
Foreign exchange difference, net	1,666	(3,333)
	<u><u>1,666</u></u>	<u><u>(3,333)</u></u>

6. INCOME TAX EXPENSE

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 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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Chinese Mainland

The provision for current income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits of PRC subsidiaries of the Group under the relevant PRC Corporate Income Tax Law. Two (2023: two) of the Group's entities were qualified as a High and New Technology Enterprise and Western Region Development Enterprise, respectively, subject to preferential corporate income tax rates of 15%.

Singapore

Pursuant to the rules and regulations of Singapore, the statutory income tax rate is 17%. The subsidiary of the Group in Singapore is granted a tax concession, with qualifying activities taxed at preferential rate of 10% and non-qualifying income taxed at the statutory rate of 17%.

United States

Pursuant to the relevant tax laws of the United States, taxable income arising in the United States is subject to a federal corporate income tax rate of 21% (2023: 21%) and state income tax rates ranging from 4.90% to 9.80% (2023: 8.84%).

Germany and the United Kingdom

The subsidiary in Germany is entitled to a combined tax rate of 29.13% (2023: 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 subsidiary in the United Kingdom is entitled to a statutory tax rate of 25% (2023: 25%).

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

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current		
— Chinese Mainland	1,096	751
— United States	3,837	634
— Europe	248	786
— Singapore	2,354	—
— Others	44	57
Deferred	238	(1,194)
	7,817	1,034
Total tax charge for the period	7,817	1,034

7. DIVIDENDS

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Final declared		
— HK15.69 cents (2023: Nil) per ordinary share	22,923	—

Pursuant to the resolution passed at the annual general meeting held on 30 May 2024, the Company declared a final dividend of HK\$15.69 cents (equivalent to US\$2.01 cents) per share for the year ended 31 December 2023 to the shareholders of the Company, amounting to a total of approximately HK\$179,171,000 (equivalent to US\$22,923,000) calculated by the number of shares on the ex-dividend date and exchange rate at dividend declaration date. After deducting the dividends of approximately HK\$10,531,000 (equivalent to US\$1,347,000) which is distributed to SWCS Trustee Limited (“SWCS”), the trustee of the Post-IPO Share Award Scheme, the final 2023 dividend of the Company is approximately HK\$168,640,000 (equivalent to US\$21,576,000) and was paid partially in July 2024. No final 2022 dividend declared for the six months ended 30 June 2023.

On 26 August 2024, the board of directors declared an interim dividend of HK\$8.88 cents (equivalent to US\$1.14 cents) per ordinary share, amounting to a total of approximately HK\$101,400,000 (equivalent to US\$13,000,000).

8. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,086,334,000 (2023: 1,130,042,000) in issued during the period.

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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares arising from awarded shares and share options granted by the Company.

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

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>44,857</u>	<u>32,619</u>
Shares		
Weighted average number of ordinary shares during the period used in the basic earnings per share calculation	1,086,334,000	1,130,042,000
Effect of dilution — weighted average number of ordinary shares arising from shares awarded	<u>208,015</u>	<u>1,171,013</u>
Total	<u>1,086,542,015</u>	<u>1,131,213,013</u>

9. TRADE AND NOTES RECEIVABLES

	30 June	31 December
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Measured at amortised cost:		
Notes receivables	468	606
Trade receivables	65,154	192,033
Impairment of trade receivables	<u>(612)</u>	<u>(557)</u>
	<u>65,010</u>	<u>192,082</u>
Measured at fair value through other comprehensive income:		
Trade receivables	<u>95,058</u>	<u>—</u>
Total	<u>160,068</u>	<u>192,082</u>

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

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

	30 June 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Audited)
Less than 3 months	63,458	183,167
Between 3 and 6 months	991	8,015
Between 6 and 12 months	462	818
Between 1 and 2 years	27	82
Between 2 and 3 years	72	—
	<hr/>	<hr/>
Total	<u>65,010</u>	<u>192,082</u>

10. TRADE AND NOTES PAYABLES

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

	30 June 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Audited)
Within 3 months	85,831	73,283
3 to 12 months	16,629	39,658
Over 12 months	79	171
	<hr/>	<hr/>
Total	<u>102,539</u>	<u>113,112</u>

11. 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 of helping users “build a better living”, we are dedicated to continuously improving users’ daily lives in small but meaningful ways with innovative and user-friendly products and services that make their lives healthier. We primarily design, develop and sell small home appliances under our four core brands, among them, the “Levoit” brand focuses on the home environment, with business planning based on the environmental health elements, such as air, temperature, humidity, light, water and sound, etc. Currently, the brand offers products covering airborne particles, humidity, ground cleaning, temperature and other areas and is committed to building a healthy home environment for users; the “Cosori” brand focuses on dietary health, and currently offers products covering air frying, toasting, boiling, steaming and other cooking methods. We have been exploring ways to promote healthy cooking methods, healthy recipes, healthy food database, and dietary programs as well as popularizing healthy diet knowledge, with an aim to make healthy diets more convenient and accessible to users; the “Etekcity” brand focuses on users’ body weight and fitness management, health monitoring and personal care; and added a new brand, the “PawSync” brand focuses on building a smart health ecosystem for pets, creating an intelligent platform for the emotional connection between pets and users through systematic solutions, and bringing users a new life of intelligent technology and easy and convenient pet raising. Furthermore, to make things more convenient, efficient and enjoyable for our users, our VeSync App enables users to achieve centralized control of smart home devices and also provides them with professional contents and services to offer a more efficient and personalized product experience for our users.

Over the past three years, we continued to invest in and upgrade our product development capabilities, and are committed to operating our brands in a multi-dimensional manner and strengthening our efforts to expand into non-Amazon channels. We expanded our veteran management and team, adhered to independent technology development and innovative design, continually optimized our product development process. Although these investments will place pressures on our operating profit margins in the short term, our perseverance to withstand the pressures will enable us to reap long-term returns from these investments. The excellent performance in 2024 makes us more determined to continue our persistence.

During the first half of 2024, we witnessed continuous growth in sales revenue and further improvement in profitability. The Group recorded revenue of approximately US\$296.2 million, with a gross profit of approximately US\$143.8 million and a profit attributable to the owners of the parent amounting to approximately US\$44.9 million (2023: approximately US\$32.6 million), representing an increase of approximately 7.0%, 14.9%, and 37.5%, respectively, as compared to that of the same period in 2023. As a result of the Group’s continuous efforts to enhance and accumulate its capabilities in various aspects, including but not limited to product excellence, channel development, regional expansion, operational efficiency, and brand promotion, we have achieved favorable market performance and significantly improved profitability in the first half of 2024.

In terms of product share, our main product categories ranked first in many markets. According to the statistics of Circana, Inc. (“Circana”)^{Note 1}, the sales share of Levoit air purifiers and air humidifiers in the U.S. market continued to expand and continued to rank No. 1 in the U.S. market, and accounted for approximately 33% and 24% of the sales share respectively, in which the sales share of air purifiers increased by 6 percentage points as compared to that of the same period in 2023. At the same time, Levoit air purifiers and air humidifiers have rapidly expanded into the German market, and both have achieved the first place in the sales volume share of the German market, accounting for approximately 36.8% and 39.2% in the German market, respectively (according to the statistics of GfK^{Note 2}). After a year of dedicated cultivation, Levoit vacuum cleaners continued the success of air purifiers and air humidifiers; in the first half of 2024, it has achieved the first place in the Best Seller highest ranking of cordless stick vacuum cleaner category in the Amazon channel in the United States and Germany, according to the Company’s internal information. With the adoption of multi-form promotion methods, Cosori air fryers still continue to rank first in terms of sales share in the Spanish market (according to the statistics of GfK^{Note 3}) and gained a higher ranking in the Amazon channel air fryer sales share in other European countries. In addition, according to the Company’s internal information, the Company’s Etekcitec body scales, kitchen scales, infrared thermometers, Cosori food dehydrators and electric kettles, all continuously achieved the first place in market share on the American Amazon channel, which fully demonstrates that the Company can keep rapid growth and iteration in terms of user insights and innovation, cross-channel research and development, global value chain control, streamlined and agile operation, brand expansion and multi-dimensional marketing, so as to stand out in the competition with other well-known brands.

In terms of channels expansion, the revenue from non-Amazon channels in the first half of 2024 increased by approximately 46.5%, as compared to that of the same period in 2023. Revenue from non-Amazon channels to total revenue in the first half of 2024 increased to approximately 28.4% from approximately 20.7% in the same period in 2023, representing an increase of approximately 7.7 percentage points. In the North American market, we continued to increase the category of products available in mainstream retailers, adding two types of air purifiers and two types of air purifier filters to Target and one type of smart body scale to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully launched Levoit Core Mini air purifiers, Etekcitec ESN00 nutrition scales, ESF551 body scales, etc. According to the Company’s internal information, in the Asia-Pacific market, we have entered countries or regions such as Singapore, Malaysia, Thailand, Japan and the Middle East, adding around 200 new stores in the first half of 2024 and more than 2,100 stores of mainstream retailers as of June 30, 2024, which have helped us expand our sales share in the Asia-Pacific market.

Note 1: Such data are obtained from Circana’s statistics on the air purifiers and air humidifiers in the United States for January to June 2024. Circana collects point-of-sale data from selected retailers for its U.S. Small Appliance POS Tracking Service. This data is the actual sales from retailers/data partners on a product basis.

Note 2: Such data are obtained from GfK’s statistics on sales volume data for air purifiers and air humidifiers in Germany from April 2023 to March 2024.

Note 3: Such data are obtained from GfK’s statistics on sales data for air fryers in Spain from July 2023 to June 2024.

In terms of regional expansion, revenue from the North American market reached approximately US\$224.9 million, representing an increase of approximately 13.0% as compared to that of the same period in 2023, mainly due to the rapid expansion of non-Amazon channels, an increase of approximately 89.6% compared to that of the same period in 2023; revenue from the European market for the first half of 2024 was approximately US\$53.2 million, a decrease of approximately US\$12.1 million or approximately 18.6%, compared to the same period in 2023, primarily due to lower demand for air fryers in Turkey, partially offset by higher sales in Germany and Hungary. Due to the more optimistic outlook of the Turkish air fryer market in 2023, channel customer prepared a batch of inventory, affected by the earthquake and other comprehensive factors, consumer demand was lower than expected, so there were no new orders from the Turkish market for air fryers in the current period of 2024. At the same time, compared to the same period in 2023, the Company's revenue in Germany and Hungary increased by approximately 39.1% and approximately 38.6%, respectively; the Asian market was experiencing rapid growth, with revenue of approximately US\$18.1 million, an increase of approximately 43.4% compared to that of the same period in 2023, mainly driven by the Japanese and the Middle Eastern markets.

We continued to invest in product development and quality control, and our product development capability has been strengthened through practice. In 2024, we launched more new products or categories based on in-depth insights into user needs to meet the diverse and personalized needs of consumers, such as high-standard silent, large air volume and energy-efficient pedestal fans and new models of tower fans, air fryers with the ability to switch between one 10-litre cooking space and two 5-litre cooking spaces to adapt to various household use scenarios and other new products. These new products supplemented our existing products and further improved our brand's market share.

For smart home solution providers, we have gradually evolved from single-product intelligence to multi-scene intelligence to constantly enrich and enhance consumers' experience so as to increase the chances of selling more products and improving product premium. We strengthen the software and products interconnection technologies to create an integrated product experience and provide consumers with professional content and services to make our products more efficient, convenient and personalized, which in turn will contribute to the synergy effects between our hardware product sales, VeSync App users and registrations. As of June 30, 2024, the number of activated devices and users registered with the VeSync App continues to grow rapidly, with approximately 8.1 million units and 8.1 million users, an increase of approximately 47.8% and 49.4% compared to that of the same period in 2023, respectively.

As a company with international brands, we operate our brands in multiple dimensions to increase the recognition of our brands among consumers. Online platforms continue to consolidate our brand influence. In addition to increasing the conversion rate of our products by optimizing our promotional strategies on e-commerce platforms, we have also strengthened investments in social media operations with a focus on the operation of our official accounts of Facebook, Youtube, TikTok, X and other platforms in the North American, European and Asian markets by frequently posting videos of our products and other content, interacting with our fans and cooperating with key opinion leaders to increase our brand exposure and help our products meet customer expectations. In the first half of

2024, our brand marketing capabilities gained a significant boost to its global fans number increased by approximately 400,000, bringing the total to approximately 1.5 million. The number of videos and live streams related to our products were not less than approximately 140,000, and the total number of that videos and live streams viewed were not less than approximately 820 million. We also organized physical product experience events, participated in international exhibitions and held offline products exhibition to communicate with consumers deeply, thereby increasing their understanding of our brand. In addition, we actively engage into environmental protection to show the positive power, advocate low carbon and environmental protection through our products, and carry out public welfare activities to help the disadvantaged groups.

FINANCIAL REVIEW

For the first half of 2024, the Group's revenue amounted to approximately US\$296.2 million. Gross profit was approximately US\$143.8 million, representing a significant increase of approximately 14.9% as compared to that for the six months ended June 30, 2023. The profit attributable to owners of the parent was approximately US\$44.9 million, representing an increase of approximately 37.5% as compared to approximately US\$32.6 million for the six months ended June 30, 2023. The basic earnings per share was approximately US4.13 cents (2023: approximately US2.89 cents).

For the first half of 2024, the Group's overall revenue amounted to approximately US\$296.2 million, representing an increase of approximately 7.0% as compared to approximately US\$276.9 million recorded for the six months ended June 30, 2023. Our success in channels expansion and share expansion of existing categories and new categories significantly drove the sales of various home products in terms of quantities sold, including air purifiers, air purifier filters, tower fans, vacuum cleaners, etc. In terms of channel expansion, we continue to increase the category of products available in mainstream retailers, adding two types of air purifiers and two types of air purifier filters to Target, one of the Company's major retailers, and one type of smart body scale to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully launched Levoit Core Mini air purifiers, Etekcity ESN00 nutrition scales and ESF551 body scales, etc. Our products, such as Levoit air humidifier and air purifier, ranked first in terms of sales amount in the United States market according to the statistics of Circana. At the same time, Levoit air purifiers and air humidifiers have rapidly expanded the German market, and both have achieved the first place in the sales volume share of the German market, accounting for approximately 36.8% and 39.2% in the German market respectively (according to the statistics of GfK). After a year of dedicated cultivation, Levoit vacuum cleaners continued the success of air purifiers and air humidifiers; in the first half of 2024, it has achieved the first place in the Best Seller ranking of cordless stick vacuum cleaner category in the Amazon channel in the United States and Germany, according to the Company's internal information. With the adoption of multi-form promotion methods, Cosori Air fryers continue to have the highest sales share in the Spanish market (according to GfK statistics) and a higher ranking in the Amazon channel air fryers category share in other European countries.

Business Review by Sales Channel

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

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Amazon channel	212,173	219,586
Non-Amazon channels	<u>84,021</u>	<u>57,346</u>
Total	<u><u>296,194</u></u>	<u><u>276,932</u></u>

The revenue of the Group in the non-Amazon channels in the first half of 2024 increased significantly by approximately 46.5% as compared to that of the first half of 2023. The revenue growth of the Group was primarily due to the significant increase in in-store sales and vigorous exploration of new TikTok retail channel. 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 North American market, we continued to increase the category of products available in mainstream retailers, adding two types of air purifiers and two types of air purifier filters to Target, one of the Company's major retailers, and one type of smart body scale to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully launched products such as Levoit Core Mini air purifiers, Etekcity ESN00 nutrition scales and ESF551 body scales. According to the Company's internal information, in the Asia-Pacific market, we have entered countries or regions such as Singapore, Malaysia, Thailand, Japan and the Middle East, adding around 200 new stores in the first half of 2024 and more than 2,100 stores of mainstream retailers as of June 30, 2024, which have helped us expand our sales share in the Asia-Pacific market.

Business Review by Geographic Location

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

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
North America	224,931	199,017
Europe	53,159	65,293
Asia	<u>18,104</u>	<u>12,622</u>
Total	<u><u>296,194</u></u>	<u><u>276,932</u></u>

The revenue generated from the North American market increased by approximately 13.0% in the first half of 2024 as compared to that of the first half of 2023, primarily driven by the growth in revenue from non-Amazon channels. The revenue growth from these channels was mainly attributable to the increase in number of products in stores and supermarkets and vigorous exploration of new TikTok retail channel.

The revenue from the European market for the first half of 2024 was approximately US\$53.2 million, a decrease of approximately US\$12.1 million or approximately 18.6%, compared to the same period in 2023, primarily due to lower demand for air fryers in Turkey, partially offset by higher sales in Germany and Hungary. Due to the more optimistic outlook of the Turkish air fryer market in 2023, channel customer prepared a batch of inventory, affected by the earthquake and other comprehensive factors, consumer demand was lower than expected, so there were no new orders from the Turkish market for air fryers in the current period of 2024. At the same time, compared to the same period in 2023, the Company's revenue in Germany and Hungary increased by approximately 39.1% and approximately 38.6%, respectively.

The revenue generated from the Asian market increased by approximately 43.4% in the first half of 2024 as compared to that of the first half of 2023, primarily driven by the growth in revenue from the Japanese and the Middle Eastern markets.

Business Review by Brand

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

	For the six months ended	
	30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Levoit	192,704	145,599
Cosori	72,104	94,981
Etekcitiy	30,292	36,071
Others	<u>1,094</u>	<u>281</u>
Total	<u><u>296,194</u></u>	<u><u>276,932</u></u>

The revenue generated from the Levoit brand increased by approximately US\$47.1 million in the first half of 2024 as compared to that of the corresponding period in 2023, primarily driven by the increase in revenue from air purifiers, vacuum cleaners and tower fans.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended June 30, 2024, the gross profit of the Group was approximately US\$143.8 million (2023: approximately US\$125.1 million), representing an increase of approximately 14.9% as compared to that of the corresponding period in 2023. The gross profit margin of the Group was approximately 48.5% (2023: approximately 45.2%), representing an increase of approximately 3.3 percentage points. The increase in gross profit and gross profit margin was primarily attributable to an increase in revenue generated from our products, and such decrease in unit cost of some products as compared to that of the first half of 2023.

OTHER INCOME AND GAINS

Other income and gains of the Group primarily consist of (i) bank interest income; (ii) government grants; (iii) fair value gains, net; (iv) investment income; and (v) foreign exchange gains, net.

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

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	2,741	1,520
Government grants	131	2,433
Fair value gains, net	—	1,196
Investment income	629	—
Foreign exchange gains, net	—	3,333
Others	221	99
	<u>221</u>	<u>99</u>
Total	<u>3,722</u>	<u>8,581</u>

For the six months ended June 30, 2024, other income and gains of the Group recorded approximately US\$3.7 million (2023: approximately US\$8.6 million), representing a decrease of approximately 56.6% as compared to that of the corresponding period in 2023. Such decrease was driven by (i) the decrease in government grants; (ii) the decrease in fair value gains, net; and (iii) the decrease in foreign exchange gains resulting from exchange rate fluctuations.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group primarily consist of (i) marketing and 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:

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Marketing and advertising expenses	19,794	20,924
Commission to platform	2,177	937
Staff cost	10,017	10,473
Warehousing expenses	11,054	12,456
Others	3,042	2,988
	<u>3,042</u>	<u>2,988</u>
Total	<u>46,084</u>	<u>47,778</u>

The Group's selling and distribution expenses decreased by approximately 3.5% from approximately US\$47.8 million for the six months ended June 30, 2023 to approximately US\$46.1 million for six months ended June 30, 2024. Such decrease was driven by (i) the decrease in marketing and advertising expenses as a result of improved promotional efficiency for the Group; and (ii) the decrease in storage expenses as a result of improved inventory turnover efficiency for the Group.

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:

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Research and development expenses	18,746	15,917
Administrative staff costs	13,921	11,860
Professional fees	5,344	10,291
Office expenses	967	1,027
Depreciation & amortization	1,763	1,844
Travelling and entertainment expenses	380	293
Others	1,039	1,800
	<u>42,160</u>	<u>43,032</u>
Total	<u>42,160</u>	<u>43,032</u>

The Group's administrative expenses decreased by approximately 2.0% from approximately US\$43.0 million for the six months ended June 30, 2023 to approximately US\$42.2 million for the six months ended June 30, 2024, primarily due to the decrease in professional fees.

OTHER EXPENSES

For the six months ended June 30, 2024, the Group's other expenses were approximately US\$5.0 million (2023: approximately US\$8.2 million). The decrease was mainly due to decrease in investment losses on disposal of derivative financial instruments, which were related to exchange rate fluctuations.

FINANCE COST

Finance costs of the Group primarily represent (i) interest on bank loans; (ii) interest on factoring ; (iii) interest on lease liabilities; and (iv) rebate on supplier discount interest.

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

	For the six months ended	
	30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	335	673
Interest on factoring	221	—
Interest on lease liabilities	365	252
Rebate on supplier discount interest	310	—
	<hr/>	<hr/>
Total	<u>1,231</u>	<u>925</u>

The Group's finance costs were approximately US\$1.2 million in the six months ended June 30, 2024, such increase was attributable to the interest on factoring and rebate on supplier discount interest.

INCOME TAX EXPENSE

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 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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Chinese Mainland

The provision for current income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits of PRC subsidiaries of the Group under the relevant PRC Corporate Income Tax Law. Two (2023: two) of the Group's entities were qualified as a High and New Technology Enterprise and Western Region Development Enterprise, respectively, subject to preferential corporate income tax rates of 15%.

Singapore

Pursuant to the rules and regulations of Singapore, the statutory income tax rate is 17%. The subsidiary of the Group in Singapore is granted a tax concession, with qualifying activities taxed at preferential rate of 10% and non-qualifying income taxed at the statutory rate of 17%.

United States

Pursuant to the relevant tax laws of the United States, taxable income arising in the United States is subject to a federal corporate income tax rate of 21% (2023: 21%) and state income tax rates ranging from 4.90% to 9.80% (2023: 8.84%).

Germany and the United Kingdom

The subsidiary in Germany is entitled to a combined tax rate of 29.13% (2023: 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 subsidiary in the United Kingdom is entitled to a statutory tax rate of 25% (2023: 25%).

Income tax expenses of the Group was approximately US\$7.8 million for the six months ended June 30, 2024, representing an increase of approximately US\$6.8 million as compared to the same period in 2023, mainly due to an increase in pre-tax profits.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the decrease in the Company's product cost ratio and the improvement of operational efficiency, the Group had a profit attributable to owners of parent of approximately US\$44.9 million for the six months ended June 30, 2024, representing an increase of approximately US\$12.3 million or 37.5% as compared to a profit attributable to owners of parent of approximately US\$32.6 million for the six months ended June 30, 2023.

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group meets its capital needs through cash flows from operations and financing as a result of the net proceeds from the Global Offering. The Group had cash and cash equivalents of approximately US\$104.3 million as of December 31, 2023 and approximately US\$160.9 million as of June 30, 2024. The cash and cash equivalents of the Group are mainly denominated in RMB, US\$ and EUR.

As of June 30, 2024, the Group had total bank borrowings of approximately US\$12.7 million (December 31, 2023: approximately US\$29.8 million), which were all denominated in US\$ and RMB, among which, approximately US\$10.4 million of the bank borrowings were at fixed interest rates, and approximately US\$2.3 million of the bank borrowings were at floating interest rates.

The following table sets forth a breakdown of the bank borrowings of the Group as of June 30, 2024:

	As of June 30, 2024 US\$'000 (Unaudited)	As of December 31, 2023 US\$'000 (Audited)
Interest-bearing bank borrowings		
— current portion	12,681	29,584
— non-current portion	<u>—</u>	<u>219</u>
Total	<u>12,681</u>	<u>29,803</u>

The following table sets forth the aging analysis of the repayment terms of the Group's interest-bearing bank borrowings as of June 30, 2024:

	As of June 30, 2024 US\$'000 (Unaudited)	As of December 31, 2023 US\$'000 (Audited)
Bank loans repayable:		
Within one year or on demand	12,681	29,584
Over one year	<u>—</u>	<u>219</u>
Total	<u>12,681</u>	<u>29,803</u>

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 an exchange loss of approximately US\$1.7 million for the six months ended June 30, 2024 (2023: exchange gain of approximately US\$3.3 million).

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 June 30, 2024, 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 six months ended June 30, 2024.

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2024, the Group had 1,396 employees in total, in which 1,257 employees were in the PRC, 128 employees were in the United States and 11 employees were in other locations. For the six months ended June 30, 2024, the Group recognized staff costs of US\$40.8 million (2023: approximately US\$37.0 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 collegiate working environment for the staff. As of June 30, 2024, several culture webinars were held to drive forward our employees' understanding of the connection between product design and our end-users. The Group 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 all Directors and senior management of the Group, review the remuneration and ensure that no Directors have determined their own remuneration, and review/approve matters relating to the Share Option Scheme and the Post-IPO Share Award Scheme.

CONTINGENT LIABILITIES

As any other company doing business, the Company is involved in litigation, regulatory inquiry and/or investigation in the ordinary course of doing business. The legal actions concern, among other things, recall, consumer protection, false advertising, infringement intelligence property rights, in connection with the Company's operations. These cases or inquires have progressed to various stages ranging from initial inquires, initial pleading stages to recovery stages. From time to time, parties may file counterclaims, and the Company will seek to vigorously prosecute and/or defend against any claims and resolve them in the ordinary course of business. Other than the above, the Group had no other material contingent liabilities as at June 30, 2024.

CHARGES ON ASSETS

As of June 30, 2024, the Group's charges on assets of approximately US\$35.0 million were mainly pledged deposits for issuing banker's acceptances to suppliers (December 31, 2023: approximately US\$82.4 million).

GEARING RATIO

As of June 30, 2024, the Group's gearing ratio (calculated as the total borrowings (bank borrowings and lease liabilities) divided by total equity as of the end of each period) was approximately 7.6% (December 31, 2023: approximately 11.7%).

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, Etekcitiy and Pawsync. Going forward in the second half of 2024, we aim to continue focusing on the following strategies: (i) further upgrade and expand our user-oriented product portfolio; (ii) increase the expansion of non-Amazon channels, such as expanding TikTok channel and retailers, 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; (iii) expand geographic coverage, especially deepen the market share of Cosori and Levoit products in the European market; (iv) continue to invest in technologies with an aim to develop VeSync App into a home IoT platform; and (v) strengthen brand operation from multiple dimensions to enhance consumer awareness of the brand.

We aim to further enhance our product portfolio, in particular smart home devices in the consumer space, while leveraging our track record for developing relevant, consumer-friendly products in the business-to-business space. In the second half of 2024, the Company will launch types of new generation multi-functional products, such as smart air purifiers, central air-conditioning filters, smart pet feeders and smart body scales. In terms of brand marketing, we continue to increase the amount video content to enhance brand reputation and reach target users deeply; in terms of channel expansion, more of our products have entered mainstream superstores and we have increased the share of non-Amazon channels to strengthen the operation of the U.S. TikTok retail channel and expand the sales share of the TikTok retail channel.

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.

INTERIM DIVIDENDS

The Board resolved to declare the payment of an interim ordinary dividend of HK8.88 cents (equivalent to approximately US1.14 cents) per Share (the “**Interim Dividends**”) for the Reporting Period (2023: HK5.39 cents) to be paid on Tuesday, October 22, 2024 to the Shareholders whose names appear on the register of members of the Company on Tuesday, October 8, 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to the Interim Dividends, the register of members of the Company will be closed from Friday, October 4, 2024 to Tuesday, October 8, 2024, both days inclusive, during which period no transfer of Shares shall be registered. In order to qualify for the Interim 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 Thursday, October 3, 2024.

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

During the Reporting Period, the Company repurchased a total of 8,883,000 Shares (the “**Shares Repurchased**”) on the Stock Exchange, at an aggregate consideration of HK\$45,526,600.00. Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2024	3,609,000	5.30	4.77	18,070,700.00
March 2024	2,849,000	5.15	4.90	14,540,080.00
April 2024	225,000	4.50	4.49	1,012,470.00
May 2024	1,600,000	5.79	5.27	8,873,540.00
June 2024	<u>600,000</u>	5.06	5.04	<u>3,029,810.00</u>
Total	<u>8,883,000</u>			<u>45,526,600.00</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares) during the Reporting Period. The Shares Repurchased in January 2024 were cancelled on 22 March, 2024. As of the end of the Reporting Period, no treasury shares (as defined under the Listing Rules) were held by the Company.

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct governing Directors' securities transactions.

The Company's relevant employees, who because of his/her office or employment, are likely to be in possession of inside information of the Company, are also subject to the Model Code. Having made specific enquiries with all the Directors and the relevant employees, they have confirmed that they have complied with the Model Code during the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 part 2 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairperson and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairperson and chief executive officer and Ms. Yang Lin currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

Save for the deviation from code provision C.2.1 of the CG Code as described above, the Company had complied with all applicable code provisions set out in part 2 of the CG Code during the Reporting Period.

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 Group's unaudited interim condensed consolidated financial information for the six months ended June 30, 2024, including the accounting principles and practices adopted by the Group.

PUBLICATION OF 2024 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.vesync.com). The 2024 interim report of the Company will be despatched to the Shareholders requiring a printed copy and published on the same websites in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix C1 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, Macau 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” or “our” or “we” or “us”	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 C3 to the Listing Rules
“Post-IPO Share Award Scheme”	the post-IPO share award scheme adopted by the Company on July 20, 2021
“Prospectus”	the prospectus of the Company dated December 8, 2020 in connection with the Global Offering
“Reporting Period”	six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme adopted by the Company 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, August 26, 2024

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.