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Vesync Co., Ltd

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2148)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-
	2024	2023	year change
	US$'000	*US$'000*	
Revenue	**652,640**	585,484	11.5%
Gross profit	**306,578**	274,372	11.7%
Gross profit margin	**47.0%**	46.9%	0.1 P.P.
Profit before tax	**111,485**	87,472	27.5%
Profit for the year attributable to owners of the parent	**93,048**	77,481	20.1%
Profit margin	**14.3%**	13.2%	1.1 P.P.
Earnings per share attributable to ordinary equity holders of the parent			
Basic	**US8.64 cents**	US6.92 cents	24.9%
Diluted	**US8.60 cents**	US6.92 cents	24.3%

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended 31 December 2024:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024** *US$'000*	2023 *US$'000*
REVENUE	*4*	**652,640**	585,484
Cost of sales		**(346,062)**	(311,112)
Gross profit		**306,578**	274,372
Other income and gains	*4*	**8,967**	10,257
Selling and distribution expenses		**(104,234)**	(99,217)
Administrative expenses		**(92,105)**	(83,089)
Impairment losses on financial assets, net		**(613)**	(382)
Other expenses		**(3,326)**	(12,833)
Finance costs	*6*	**(3,428)**	(1,532)
Share of profits and losses of:			
a joint venture		**—**	(80)
associates		**(354)**	(24)
PROFIT BEFORE TAX	*5*	**111,485**	87,472
Income tax expense	*7*	**(18,437)**	(10,042)
PROFIT FOR THE YEAR		**93,048**	77,430
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Trade receivables measured at fair value through other comprehensive income:			
Changes in fair value		**(554)**	—
Income tax effect		**132**	—
Share of other comprehensive loss of a joint venture		**—**	(21)
Share of other comprehensive loss of associates		**(285)**	—
Exchange differences on translation of foreign operations		**(4,072)**	(487)
Reclassification adjustments for a foreign operation disposed of during the year		**—**	(2)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(4,779)**	(510)

	Notes	2024 US$'000	2023 US$'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(1,379)**	251
Income tax effect		**208**	(38)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(1,171)**	213
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5,950)**	(297)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,098**	77,133
Profit/(loss) attributable to:			
Owners of the parent		**93,048**	77,481
Non-controlling interests		**—**	(51)
		93,048	77,430
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**87,098**	77,184
Non-controlling interests		**—**	(51)
		87,098	77,133
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**US8.64 cents**	US6.92 cents
Diluted	9	**US8.60 cents**	US6.92 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 US$'000	31 December 2023 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,954**	4,475
Right-of-use assets		**10,522**	7,453
Other intangible assets		**218**	17
Investment in a joint venture		**—**	10,851
Investments in associates		**10,266**	60
Equity investments designated at fair value through other comprehensive income		**363**	1,778
Financial assets at fair value through profit or loss		**2,300**	—
Prepayments, other receivables and other assets		**1,028**	1,023
Pledged deposits		**11,151**	4,833
Time deposits		**43,557**	5,735
Deferred tax assets		**13,173**	23,022
Total non-current assets		**99,532**	59,247
CURRENT ASSETS			
Inventories	*10*	**72,603**	79,848
Trade and notes receivables		**183,377**	192,082
Prepayments, other receivables and other assets	*11*	**34,108**	18,420
Tax recoverable		**2,198**	321
Derivative financial assets		**1,245**	128
Pledged deposits		**39,922**	78,028
Time deposits		**39,455**	32,752
Cash and cash equivalents		**177,360**	104,308
Total current assets		**550,268**	505,887
CURRENT LIABILITIES			
Trade and notes payables	*12*	**119,473**	113,112
Other payables and accruals		**107,066**	59,558
Interest-bearing bank and other borrowings	*13*	**20,759**	29,584
Provision		**9,406**	16,604
Lease liabilities		**4,717**	3,532
Tax payable		**6,833**	5,644
Derivative financial liabilities		**1,314**	214
Total current liabilities		**269,568**	228,248
NET CURRENT ASSETS		**280,700**	277,639
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,232**	336,886

	Notes	**31 December 2024** *US$'000*	31 December 2023 *US$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,232**	336,886
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**—**	219
Lease liabilities		**6,961**	4,984
Provision		**3,955**	4,167
Total non-current liabilities		**10,916**	9,370
Net assets		**369,316**	327,516
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,470**	1,500
Treasury shares		**—**	(7,856)
Share premium		**129,115**	172,273
Reserves		**238,731**	161,599
Total equity		**369,316**	327,516

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is 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 mainly manufactured in the People's Republic of China (the "PRC") and sold to customers mainly in 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"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, trade receivables measured at fair value through other comprehensive income and equity investments designated at fair value through other comprehensive income 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 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS7	*Supplier Finance Arrangements*

The nature and the 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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

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:***

	2024	2023
	US$'000	*US$'000*
North America	**480,489**	429,936
Europe	**131,118**	125,741
Asia	**41,033**	29,807
Total	**652,640**	585,484

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***

	2024	2023
	US$'000	*US$'000*
North America	**7,295**	4,271
China	**19,736**	18,462
Europe	**91**	55
Other	**838**	68
Total	**27,960**	22,856

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

4. REVENUE, OTHER INCOME AND GAINS

Information about a major customer

Revenue of approximately US$468,066,000 for the year ended 31 December 2024 (2023: US$444,124,000) was derived from sales to a single retailer, including sales to a group of entities which are known to be under common control with that customer.

An analysis of revenue is as follows:

	2024	2023
	US$'000	*US$'000*
Revenue from contracts with customers	**652,640**	585,484

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

	2024	2023
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**652,640**	585,484

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:

	2024	2023
	US$'000	*US$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of products	**1,065**	2,864

(ii) ***Performance obligations***

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

Sale of products

The performance obligation of sales to retailers is usually satisfied upon delivery of goods and payment is generally due within 30 to 120 days from delivery. The performance obligation of sales to consumers directly is satisfied upon receipt of products by customers and payments are generally received when customers place orders on the platform. The Group provides customers with a right of return within 30 days, sometimes extending up to 90 days.

At 31 December 2024, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) ***Refund liabilities***

	2024	2023
	US$'000	*US$'000*
Refund liabilities arising from sales return	**1,482**	994
Refund liabilities arising from promotion rebates	**13,977**	12,342
Total	**15,459**	13,336

An analysis of other income and gains is as follows:

	2024	2023
	US$'000	*US$'000*
Other income		
Bank interest income	**7,227**	3,771
Government grants*	**1,130**	2,930
Others	**500**	62
Total other income	**8,857**	6,763
Gains		
Gains on termination of leases, net	**110**	—
Foreign exchange gains, net	**—**	3,494
Total gains	**110**	3,494
Total other income and gains	**8,967**	10,257

* The government grants mainly represent incentives and subsidies from local governments to support the Group's operation. 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	**2024** ***US$'000***	2023 *US$'000*
Cost of inventories sold		**285,144**	259,433
Research and development costs*		**39,943**	34,161
Depreciation of property, plant and equipment		**2,812**	2,609
Amortisation of other intangible assets		**33**	218
Depreciation of right-of-use assets		**4,730**	4,198
Auditor's remuneration		**574**	598
Lease payments not included in the measurement of lease liabilities		**247**	232
Loss on disposal of items of property, plant and equipment		**6**	195
Interest income		**(7,227)**	(3,771)
Loss on disposal of derivative instruments		**1,260**	6,511
Fair value losses, net:			
— Derivative instruments — transactions not qualifying as hedges		**49**	86
— Investments measured at fair value through profit and loss		**1,055**	—
Foreign exchange differences, net		**3,284**	(3,494)
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**67,683**	61,895
Pension scheme contributions		**5,475**	4,629
Staff welfare expenses		**9,199**	7,552
Equity-settled share award expense		**1,607**	2,783
Total		**83,964**	76,859
Impairment of trade and other receivables, net	*11*	**613**	382
(Reversal of write-down)/write-down of inventories to net realisable value, net**	*10*	**(3,046)**	412
Product warranty provision			
— Additional provision		**759**	571
Provisions arising from voluntary recall			
— Additional provision		**—**	7,165
— Reversal of unutilised provision		**(3,880)**	—

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

** The net write-down of inventories to net realisable value 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:

	2024 *US$'000*	2023 *US$'000*
Interest on bank and other loans	**560**	626
Interest on receivables factoring	**1,445**	—
Interest on lease liabilities	**738**	480
Interest on notes payable with extended payment terms	**668**	—
Interest on discounted bank notes and others	**17**	426
Total	**3,428**	1,532

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.

Mainland China

The provision for current income tax in Mainland China 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. One (2023: two) of the Group's entities was qualified as a High and New Technology Enterprise and one (2023: one) of the Group's entities was qualified as a 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 income from qualifying activities taxed at preferential rate of 10% and income from non-qualifying activities 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 0.75% to 9.80% (2023: 0.75% to 9.00%).

Germany and the United Kingdom

The subsidiary in Germany is subject to a combined tax rate of 30.24% (2023: 29.13%), consisting of a corporate tax rate of 15%, a solidarity surcharge tax rate of 5.5% applied to the corporate tax and a trade tax rate of 14.42% (2023: 13.30%). The subsidiary in the United Kingdom is subject to a statutory tax rate of 25% (2023: 25%).

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

	2024	2023
	US$'000	*US$'000*
Current tax:		
— United States	**1,791**	1,766
Charge for the year	**2,101**	1,633
(Overprovision)/underprovision in prior years	**(310)**	133
— Singapore	**5,314**	224
Charge for the year	**5,364**	224
Overprovision in prior years	**(50)**	—
— Elsewhere	**1,242**	2,992
Charge for the year	**1,085**	3,295
Underprovision/(overprovision) in prior years	**157**	(303)
Deferred tax	**10,090**	5,060
Total tax charge for the year	**18,437**	10,042

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 and/or operate to the tax expense at the effective tax rates is as follows:

	2024	2023
	US$'000	*US$'000*
Profit before tax	**111,485**	87,472
Tax at the statutory tax rates	**34,103**	16,287
Preferential income tax rates applicable to subsidiaries	**(15,874)**	(4,168)
Expenses not deductible for tax	**955**	310
Income not subject to tax	**(58)**	(664)
Effect on opening deferred tax of decrease in rate	**1,950**	1
Additional deduction allowance for research and development costs	**(4,076)**	(4,591)
Tax losses utilised from previous years	**(159)**	(50)
Adjustments in respect of current tax of previous years	**(204)**	(170)
Effect on adjustment of opening deferred tax	**566**	1,031
Tax losses and temporal differences not recognized	**1,234**	2,056
Tax charge at the Group's effective rate	**18,437**	10,042

8. DIVIDENDS

	2024	2023
	US$'000	*US$'000*
Interim declared — HK8.88 cents (2023: HK5.39 cents) per ordinary share	**12,235**	8,000
Proposed final ordinary — Nil (2023: HK15.69 cents) per ordinary share	**—**	21,576

The board of directors did not propose the payment of any final dividend for the year ended 31 December 2024.

Pursuant to the resolution passed at the annual general meeting held on 30 May 2024, the Company declared a final dividend of HK15.69 cents (equivalent to US2.01 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 was approximately HK$168,640,000 (equivalent to US$21,576,000) and was paid partially in July 2024.

On 26 August 2024, the board of directors declared an interim dividend of HK8.88 cents (equivalent to US1.14 cents) per share for the six months ended 30 June 2024 to the shareholders of the Company, amounting to a total of approximately HK$101,187,000 (equivalent to US$13,019,000) calculated by the number of shares on the ex-dividend date and exchange rate at dividend declaration date. After deducting the dividend of approximately HK$6,100,000 (equivalent to US$784,000) which is distributed to SWCS, the trustee of the Post-IPO Share Award Scheme, the interim 2024 dividend of the Company is approximately HK$95,087,000 (equivalent to US$12,235,000) and was paid partially in October 2024. Interim 2023 dividend declared for the six months ended 30 June 2023 amounted to a total of approximately HK$62,679,000 (equivalent to US$8,000,000).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,077,400,680 (2023: 1,119,095,147) outstanding during the year, as adjusted to reflect repurchase of shares during the year.

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

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

	2024	2023
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**93,048**	77,481

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	**1,077,400,680**	1,119,095,147
Effect of dilution — weighted average number of ordinary shares:		
Shares awarded	**4,582,487**	1,268,980
Total	**1,081,983,167**	1,120,364,127

10. INVENTORIES

	2024	2023
	US$'000	*US$'000*
Raw materials	**983**	900
Work in progress	**454**	123
Finished goods	**76,460**	87,282
	77,897	88,305
Less: Provision for inventories	**(5,294)**	(8,457)
Total	**72,603**	79,848

11. TRADE AND NOTES RECEIVABLES

	Note	2024 US$'000	2023 US$'000
Measured at amortised cost:			
Notes receivable		**123**	606
Trade receivables		**81,606**	192,033
Impairment of trade receivables		**(999)**	(557)
Subtotal		**80,730**	192,082
Measured at fair value through other comprehensive income:			
Trade receivables	*(i)*	**103,201**	—
Less: Change in fair value of other comprehensive income		**554**	—
Subtotal		**102,647**	—
Total		**183,377**	192,082

The credit period is generally 30 to 120 days. 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.

Note:

(i) The Group has changed the business model for a portion of its receivables to target both the the receipt of contractual cash flows when due and the sale. Accordingly, this portion of the receivables is classified as a financial asset at fair value through other comprehensive income, which can be reclassified to profit or loss in subsequent periods.

As of 31 December 2024, the aforementioned trade receivables were filed as additional security under the receivable discounting agreement in the event of any commercial disputes or other non-credit risks. The Group estimated these risks to be minimal.

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

	2024 US$'000	2023 US$'000
Less than 3 months	**78,337**	183,167
Between 3 and 6 months	**1,984**	8,015
Between 6 and 12 months	**185**	818
Between 1 and 2 years	**224**	82
Total	**80,730**	192,082

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

	2024	2023
	US$'000	*US$'000*
At beginning of year	**557**	175
Impairment losses, net	**442**	382
At end of year	**999**	557

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 2024

	Gross carrying amount	**Expected credit loss rate**	**Expected credit loss**
	US$'000		***US$'000***
The largest customer	**60,832**	**0.05%**	**28**
Others	**20,774**	**4.67%**	**971**
Total	**81,606**		**999**

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit loss
	US$'000		*US$'000*
The largest customer	169,766	0.04%	70
Others	22,267	2.19%	487
Total	192,033		557

12. TRADE AND NOTES PAYABLES

	2024	2023
	US$'000	*US$'000*
Notes payables	**73,721**	87,494
Trade payables	**45,752**	25,618
Total	**119,473**	113,112

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

	2024	2023
	US$'000	*US$'000*
Within 3 months	**82,674**	73,283
3 to 12 months	**36,653**	39,658
Over 1 year	**146**	171
Total	**119,473**	113,112

The trade payables are non-interest-bearing and are normally settled on terms of 60 days, which are sometimes extended to 90 days.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2024			As at 31 December 2023		
	Effective interest rate (%)	**Maturity**	***US$'000***	Effective interest rate (%)	Maturity	*US$'000*
Current						
Bank overdraft — unsecured *(note (a))*	**—**	**2025**	**44**	—	2024	344
Bank overdraft — secured *(note (b))*	**—**	**2025**	**169**	—	—	—
US$24,463,000 bank loans — unsecured	**—**	**—**	**—**	2.65–7.00	2024	24,463
US$4,254,000 bank loans — secured	**—**	**—**	**—**	0.65–1.53	2024	4,254
US$2,323,000 bank loan — unsecured	**LPR*-65bps**	**2025**	**2,323**	—	—	—
US$16,432,000 bank loans — unsecured	**5.10–5.25**	**2025**	**16,432**	—	—	—
US$205,000 bank loans — secured *(note (d))*	**1.00**	**2025**	**205**	—	—	—
US$1,367,000 other loan — secured *(note(e))*	**4.96**	**2025**	**1,367**	—	—	—
Current portion of long-term bank loan — unsecured *(note (c))*	**1.00**	**2025**	**219**	1.00	2024	523
Total — current			**20,759**			29,584
Non-current						
US$219,000 bank loans — unsecured *(note (c))*	**—**	**—**	**—**	1.00	2025	219
Total			**—**			219

	2024	2023
	US$'000	*US$'000*
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**20,759**	29,584
In the second year	**—**	219
Total	**20,759**	29,803

* LPR rate refers to Loan Prime Rate

Notes:

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

(b) The bank overdraft of a total of US$169,000 is guaranteed by pledged deposits.

(c) The bank loan of a total of US$219,000 is the Paycheck Protection Program ("PPP") Loan guaranteed by the Small Business Administration ("SBA").

(d) The bank loan of a total of US$205,000 is guaranteed by pledged deposits.

(e) The other loan of a total of US$1,367,000 is guaranteed by a third party, counter-guaranteed by a subsidiary of the Company and secured by the subsidiary's total assets.

14. EVENTS AFTER THE REPORTING PERIOD

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

15. CONTINGENT LIABILITIES

The Company is involved in litigation and/or regulatory inquiry 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

With our mission to help 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. 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. Our newly added 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 few 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, and continually optimized our product development process. These investments have already made a positive impact on our results.

In 2024, we witnessed continuous growth in sales revenue and further improvement in profitability. The Group recorded revenue of approximately US$652.6 million, with a gross profit of approximately US$306.6 million and a profit attributable to the owners of the parent amounting to approximately US$93.0 million (2023: approximately US$77.5 million), representing an increase of approximately 11.5%, 11.7%, and 20.1%, 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 2024.

In terms of market share of products, our main product categories ranked first in many markets. According to the statistics of Circana, Inc. ("**Circana**")*Note 1*, the sales and the sales volume share of Levoit air purifiers and air humidifiers in the U.S. market continued to expand and rank No. 1 in the U.S. market, and accounted for approximately 33.0% and 23.3% of the sales share respectively, in which the sales share of air purifiers increased by approximately 4.4 percentage points as compared to that of the same period in 2023. At the same time, according to the Company's internal information, Levoit air purifiers and air humidifiers have rapidly expanded into the European market, and both have achieved the first place in sales share in the Amazon channel of Germany, the United Kingdom, Spain, France, and Italy. After a year of dedicated efforts, Levoit vacuum cleaners continued the success of air purifiers and humidifiers. In 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 and Norwegian markets (according to the statistics of GfK*Note 2*) and achieved 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 Etekcity 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 2024 increased by approximately 29.0%, as compared to that of the same period in 2023. Revenue from non-Amazon channels to total revenue increased to approximately 25.5% from approximately 22.0% in the same period in 2023, representing an increase of approximately 3.5 percentage points. In the North American market, we continued to increase the category of products available in mainstream retailers, newly launching seven types products to Target as well as three types products to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully detonated three types products. 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 600 new stores in 2024 and more than 2,500 stores of mainstream retailers as of December 31, 2024, which have helped us expand our sales share in the Asia-Pacific market.

Note 1: Such data are obtained from Circana Group's statistics on the air purifiers and air humidifiers in the United States from January to December 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 and sales volume from retailers/data partners on a product basis.

Note 2: Such data are obtained from GfK's statistics on sales data for air fryers in Spain and Hungary from January to December 2024. Such data are obtained from GfK's statistics on sales data for air fryers in Norway and Sweden from January to September 2024.

In terms of regional expansion, revenue from the North American market reached approximately US$480.5 million, representing an increase of approximately 11.8% as compared to that of the same period in 2023, mainly due to the rapid expansion of non-Amazon channels, an increase of approximately 45.2% compared to that of the same period in 2023; revenue from the European market in 2024 was approximately US$131.1 million, an increase of approximately US$5.4 million or approximately 4.3% compared to the same period in 2023. Compared to the same period in 2023, the Company's revenue in Germany and the United Kingdom has increased significantly, increased by approximately 50.3% and approximately 24.4%, respectively; the Asian market was experiencing rapid growth, with revenue of approximately US$41.0 million, an increase of approximately 37.7% 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 to meet the diverse and personalized needs of consumers based on in-depth insight into user needs, such as high-standard quiet, high-airflow, and energy-efficient circulation fans, as well as new tower fan models; an air fryer with a switchable 10-liter or dual 5-liter cooking space to adapt to various household scenarios; a body scale featuring first-of-its-kind calibration-free technology to provide users with more accurate and realistic body fat measurements; and a smart pet feeder that allows for remote feeding and monitoring of pets' eating behaviors at home. These new products serve as a powerful supplement to our existing product portfolio, further helping us enhance 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 raising product premiums. 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 December 31, 2024, the number of activated devices and users registered with the VeSync App continued to grow to approximately 9.4 million units and 9.6 million users, respectively, with an increase of approximately 40.3% and 43.3%, respectively, as compared with the same period in 2023.

As a company with international brands, we operate our brands in multiple dimensions to increase the recognition of our brands among consumers. We continued to consolidate our brand influence on online platforms. 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 on Facebook, Youtube, TikTok, X and other platforms in 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 2024, our brand's marketing capabilities were significantly enhanced. The cumulative number of our global fans reached no less than approximately 1.6 million; the number of videos or live streams related to our products was no less than approximately 230,000, with the total number of views no less than approximately 1.5 billion. 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. We advocate low carbon and environmental protection through our products, and carry out public welfare activities to help the disadvantaged groups.

FINANCIAL REVIEW

In 2024, the Group's revenue amounted to approximately US$652.6 million, representing an increase of approximately 11.5% as compared with the same period in 2023. The gross profit was approximately US$306.6 million, representing an increase of approximately 11.7% as compared with the same period in 2023, the gross profit margin of the Group was approximately 47.0% (2023: approximately 46.9%), basically remaining flat compared to 2023. The profit attributable to owners of the parent was approximately US$93.0 million. The basic earning per share was approximately US8.64 cents (2023: basic earning per share of approximately US6.92 cents).

The Company recorded a continuous explosive growth in net cash flow from operation activities of approximately US$144.8 million in 2024 (2023: US$106.1 million). The strong cash flow provides sufficient guarantee for the Group's development of user-centric innovative products, channel development, regional expansion, fully integrated marketing and optimization of operational efficiency.

In 2024, the Group's overall revenue amounted to approximately US$652.6 million, representing an increase of approximately 11.5% as compared to approximately US$585.5 million recorded for the year ended December 31, 2023. Our success in channels expansion and market 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, newly launching seven types products to Target and three types products to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully detonated sales of three types products. 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. Meanwhile, according to the Company's internal information, Levoit air purifiers and air humidifiers have rapidly expanded into the European market, achieving the highest sales share in the Amazon channels in Germany, the UK, Spain, France, and Italy. After a year of dedicated cultivation, Levoit vacuum cleaners continued the success of air purifiers and air humidifiers; in 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 air fryers category share of Amazon channel in other European countries.

Business Review by Sales Channels

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

	2024	2023
	US$'000	*US$'000*
Amazon channel	**486,396**	456,603
Non-Amazon channels	**166,244**	128,881
Total	**652,640**	585,484

A majority of the Group's revenue from the Amazon channel was generated from the Vendor Central program in 2024. Under the Vendor Central program, Amazon makes bulk purchase orders from us and then sells to its customers through the Amazon e-commerce marketplace. Non-Amazon channels primarily include chain retailers, other e-commerce marketplaces and our own online shopping websites.

The revenue of the Group generated from the Amazon channel increased by approximately 6.5% in 2024 as compared with 2023, primarily due to the increase in revenue of categories such as air purifiers, air humidifiers, vacuum cleaners, tower fans, body fitness scales, electric pressure cookers, etc.

The revenue of the Group in the non-Amazon channels in 2024 increased significantly by approximately 29.0% as compared to that 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 and have continued to increase the number of products and shops in which we are present.

Business Review by Geographic Location

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

	2024	2023
	US$'000	*US$'000*
North America	**480,489**	429,936
Europe	**131,118**	125,741
Asia	**41,033**	29,807
Total	**652,640**	585,484

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

The revenue generated from the North American market increased by approximately 11.8% in 2024 as compared to that 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 available in stores and supermarkets and vigorous exploration of new TikTok retail channel.

The revenue from the European market in 2024 was approximately US$131.1 million, an increase of approximately US$5.4 million or approximately 4.3%, compared to the same period in 2023. Compared to the same period in 2023, the Company's revenue in Germany and the United Kingdom has increased significantly, increased by approximately 50.3% and approximately 24.4%, respectively.

The revenue generated from the Asian market increased by approximately 37.7% in 2024 as compared to that 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:

	2024	2023
	US$'000	*US$'000*
Levoit	**423,654**	327,155
Cosori	**165,048**	195,764
Etekcity	**60,014**	61,348
Others	**3,924**	1,217
Total	**652,640**	585,484

The revenue generated from the Levoit brand increased by approximately US$96.5 million in 2024 as compared to that of the corresponding period in 2023, primarily driven by the increase in revenue from air purifiers, air humidifier, vacuum cleaners and tower fans.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended December 31, 2024, the gross profit of the Group was approximately US$306.6 million (2023: approximately US$274.4 million), representing an increase of approximately 11.7% as compared to that of the corresponding period in 2023. The gross profit margin of the Group was approximately 47.0% (2023: approximately 46.9%), which was basically remaining flat as 2023.

OTHER INCOME AND GAINS

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

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

	2024	2023
	US$'000	*US$'000*
Bank interest income	**7,227**	3,771
Government grants	**1,130**	2,930
Foreign exchange gains, net	**—**	3,494
Others	**610**	62
Total	**8,967**	10,257

For the year ended December 31, 2024, other income and gains of the Group recorded approximately US$9.0 million (2023: approximately US$10.3 million), representing a decrease of approximately 12.6% as compared to that of the corresponding period in 2023. Such decrease was driven by (i) the decrease in government grants; and (ii) 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:

	2024	2023
	US$'000	*US$'000*
Marketing and advertising expenses	**45,490**	42,448
Commission to platform	**4,594**	2,568
Staff cost	**23,824**	23,975
Warehousing expenses	**21,959**	24,161
Others	**8,367**	6,065
Total	**104,234**	99,217

The Group's selling and distribution expenses increased by approximately 5.1% from approximately US$99.2 million for the year ended December 31, 2023 to approximately US$104.2 million for the year ended December 31, 2024. Such increase was driven by marketing advertising expenses and commission to platform incurred for the Group to expand its sales scale.

ADMINISTRATIVE EXPENSES

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

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

	2024	2023
	US$'000	*US$'000*
Research and development expenses	**39,943**	34,161
Administrative staff costs	**30,653**	26,677
Professional fees	**12,113**	12,244
Office expenses	**2,507**	1,789
Depreciation and amortization	**2,509**	3,505
Travelling and entertainment expenses	**841**	852
Others	**3,539**	3,861
Total	**92,105**	83,089

The Group's administrative expenses increased by approximately 10.9% from approximately US$83.1 million for the year ended December 31, 2023 to approximately US$92.1 million for the year ended December 31, 2024, primarily due to the increase in research and development expenses and administrative staff costs.

OTHER EXPENSES

The Group's other expenses amounted to approximately US$3.3 million for the year ended December 31, 2024 (2023: approximately US$12.8 million).

FINANCE COST

Finance costs of the Group primarily represent (i) interest on bank and other loans; (ii) interest on lease liabilities, and (iii) interest on receivables factoring.

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

	2024	2023
	US$'000	*US$'000*
Interest on bank and other loans	**560**	626
Interest on lease liabilities	**738**	480
Interest on receivables factoring	**1,445**	—
Others	**685**	426
Total	**3,428**	1,532

The Group's finance costs increased from approximately US$1.5 million for the year ended December 31, 2023 to approximately US$3.4 million for the year ended December 31, 2024. Such increase was attributable to the interest on receivables factoring.

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 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.

Mainland China

The provision for current income tax in Mainland China 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. One (2023: two) of the Group's entities was qualified as a High and New Technology Enterprise and one (2023: one) of the Group's entities was qualified as a 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 income from qualifying activities taxed at preferential rate of 10% and income from non-qualifying activities 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 0.75% to 9.80% (2023: 0.75% to 9.00%).

Germany and the United Kingdom

The subsidiary in Germany is subject to a combined tax rate of 30.24% (2023: 29.13%), consisting of a corporate tax rate of 15%, a solidarity surcharge tax rate of 5.5% applied to the corporate tax and a trade tax rate of 14.42% (2023: 13.30%). The subsidiary in the United Kingdom is subject to a statutory tax rate of 25% (2023: 25%).

Income tax expenses of the Group increased by approximately US$8.4 million to approximately US$18.4 million for the year ended December 31, 2024 as compared with the corresponding period in 2023, primarily due to the increase in profit before income tax and deferred income tax expense.

EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the continuous expansion of the Company's sales scale, the Group had profits attributable to owners of parent of approximately US$93.0 million for the year ended December 31, 2024, compared with a profit attributable to owners of parent of approximately US$77.5 million for the year ended December 31, 2023, an increase of approximately US$15.5 million or 20.1%.

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$177.4 million as of December 31, 2024. The cash and cash equivalents of the Group are mainly denominated in RMB, US$ and EUR.

As of December 31, 2024, the Group had total bank and other borrowings of approximately US$20.8 million (2023: approximately US$29.8 million), which were all denominated in US$ and RMB.

The table sets forth a breakdown of the bank and other borrowings of the Group as of December 31, 2024:

	2024	2023
	US$'000	*US$'000*
Interest-bearing bank and other borrowings		
— current portion	**20,759**	29,584
— non-current portion	**—**	219
Total	**20,759**	29,803

The table below sets forth the aging analysis of the repayment terms of interest-bearing bank and other borrowings as of December 31, 2024:

	2024	2023
	US$'000	*US$'000*
Interest-bearing bank and other loans repayable:		
Within one year or on demand	**20,759**	29,584
Over one year	**—**	219
Total	**20,759**	29,803

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 losses of approximately US$3.3 million for the year ended December 31, 2024 (2023: currency exchange gains of approximately US$3.5 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 December 31, 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 year ended December 31, 2024.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2024, the Group had 1,408 employees in total, in which 1,253 employees were in the PRC, 137 employees were in the Unites States and 18 employees were in other locations. For the year ended December 31, 2024, the Group recognized staff costs of approximately US$87.0 million (2023: approximately US$78.8 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 opportunities to receive on-the-job trainings, the Group strives to create a harmonious and warm working and living environment for the staff. As of December 31, 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 lecturers 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 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.

TRADE AND NOTES RECEIVABLES

Set out below is the information about trade and notes receivables:

	Note	2024 US$'000	2023 US$'000
Measured at amortised cost:			
Notes receivable		**123**	606
Trade receivables		**81,606**	192,033
Impairment of trade receivables		**(999)**	(557)
Subtotal		**80,730**	192,082
Measured at fair value through other comprehensive income:			
Trade receivables	*(i)*	**103,201**	—
Less: Change in fair value of other comprehensive income		**(554)**	—
Subtotal		**102,647**	—
Total		**183,377**	192,082

The credit period is generally 30 to 120 days. 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.

Note:

(i) The Group has changed the business model for a portion of its receivables to target both the receipt of contractual cash flows when due and the sale. Accordingly, this portion of the receivables is classified as a financial asset at fair value through other comprehensive income, which can be reclassified to profit or loss in subsequent periods.

As of 31 December 2024, the aforementioned trade receivables were filed as additional security under the receivable discounting agreement in the event of any commercial disputes or other non-credit risks. The Group estimated these risks to be minimal.

CHARGES ON ASSETS

As of December 31, 2024, the Group had approximately US$152.8 million of charges on assets, primarily attributable to the increase in the security under receivable discounting agreements (2023: approximately US$82.4 million).

GEARING RATIO

As of December 31, 2024, the Group's gearing ratio (calculated as the total debt (including interest-bearing bank and other borrowings, and lease liabilities) divided by total equity as of the end of each period) was approximately 8.8% (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, Etekcity and Pawsync. Going forward in 2025, we aim to keep focusing on our strategies: (i) further upgrade and expand our user-oriented product portfolio; (ii) intensify our efforts to expand non-Amazon channels, such as broadening our presence on TikTok and retail channels, enlarging our product portfolio in existing stores, introducing our products to new stores and getting access to more new chain retailers, thereby leveraging our brand recognition to unlock greater business potential from other sales channels; (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. In 2025, the Company will launch more new generation products, such as smart air purifiers, smart air fryers, smart pet feeder and smart fitness scales. In terms of brand marketing, we continue to increase the amount of 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.

PRIVATISATION PROPOSAL

Reference is made to the joint announcement (the "**Joint Announcement**") of the Company and Victory III Co., Ltd (the "**Offeror**") dated 27 December 2024. Unless otherwise defined, capitalised terms used herein have the same meanings as those defined in the Joint Announcement. On 27 December 2024, the Offeror and the Company jointly announced that on 23 December 2024, the Offeror requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act.

The Scheme will provide that, if it becomes effective, the Scheme Shares will be cancelled in exchange for either:

1. the Cash Alternative: cash of HK$5.60 for every Scheme Share; or

2. the Share Alternative: one TopCo Share for every Scheme Share.

The Scheme Shareholders may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares held as at the Effective Date (but not, for the avoidance of doubt, a combination of the two). Scheme Shareholders who do not make any election or whose elections are invalid will be deemed to have elected to receive their entitlement under the Cash Alternative, subject to the Proposal becoming unconditional in all respects.

The implementation of the Proposal and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the Conditions on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. One of the principal Conditions is that the Scheme should be approved by Disinterested Shareholders holding at least 75% of the Scheme Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all Disinterested Shareholders. A further condition is approval of the Investor Arrangement by the passing of an ordinary resolution by the Disinterested Shareholders at the EGM.

The Scheme Document containing, among other things, further details of the Proposal, the Scheme and the Investor Arrangement, the expected timetable, an explanatory statement as required under the Companies Act and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme and the Investor Arrangement, the letter of advice from the Independent Financial Adviser, a notice of the Court Meeting, a notice of the EGM and other particulars required by the Takeovers Code, together with forms of proxy and consideration election forms in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

If the Scheme becoming effective, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules immediately following the Scheme becoming effective.

Please refer to the the Joint Announcement and the Company's relevant announcements dated January 13, 2025, January 17, 2025, January 20, 2025, January 28, 2025, February 13, 2025 and March 12, 2025 for details of the privatisation proposal.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events that required additional disclosure or adjustments occurred after the end of the Reporting Period.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company are provided in note 15 to the financial statements. Save as aforesaid, the Group did not have any other significant contingent liabilities as at December 31, 2024.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended December 31, 2024.

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

During the Reporting Period, the Company repurchased a total of 10,733,000 Shares (the "**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HK$54,214,710.00. 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$)*
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	600,000	5.06	5.04	3,029,810.00
July 2024	1,450,000	5.09	4.23	6,922,450.00
August 2024	400,000	4.45	4.32	1,765,660.00
Total	10,733,000			54,214,710.00

The Board believes that the repurchase of shares reflects the Board's confidence in the Company's long-term strategy and development while maintaining sufficient financial resources and will benefit the Company and shareholders as a whole.

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. All the Shares Repurchased were cancelled. 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, which applies to all Directors and relevant employees of the Company who are likely to possess inside information in relation to the Company or its securities due to his/her office or employment.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely, Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Tan Wen, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2024, 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, 2024, but represents an extract from the consolidated financial statements for the year ended December 31, 2024 which have been audited by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.vesync.com). The annual report of the Company for the year ended December 31, 2024 will be despatched to the Shareholders requiring a printed copy and published on the same websites in due course.

DEFINITIONS

"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 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, 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
"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
"Model Code"	the 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
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"Share Option Scheme"	the share option scheme adopted by the then Shareholders on December 1, 2020
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" and "U.S."	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"Voluntary Recall"	the voluntary recall of certain models of air fryers under the "Cosori" brand in the United States, Canada and Mexico

"%"	per cent
"IoT"	internet of things

In this announcement, "we", "us", or "our" refers to the Group (as defined above).

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

Hong Kong, March 17, 2025

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.