JS 环球生活有限公司

JS GLOBAL LIFESTYLE COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1691

JS Global

HIGH-QUALITY INNOVATIVE LIFESTYLE

2022

Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

WANG Xuning *(Chairman and Chief Executive Officer)*
HAN Run *(Chief Financial Officer)*
HUANG Shuling

Non-executive Directors

HUI Chi Kin Max
Stassi Anastas ANASTASSOV
SUN Zhe *(appointed on April 29, 2022)*
MAO Wei *(retired on April 29, 2022)*

Independent Non-executive Directors

Yuan DING *(appointed on August 29, 2022)*
Timothy Roberts WARNER
YANG Xianxiang
WONG Tin Yau Kelvin *(resigned on August 29, 2022)*

AUDIT COMMITTEE

Yuan DING *(Chairman, appointed on August 29, 2022)*
Timothy Roberts WARNER
YANG Xianxiang
WONG Tin Yau Kelvin *(resigned on August 29, 2022)*

NOMINATION COMMITTEE

WANG Xuning *(Chairman)*
Yuan DING *(appointed on August 29, 2022)*
YANG Xianxiang
WONG Tin Yau Kelvin *(resigned on August 29, 2022)*

REMUNERATION COMMITTEE

Timothy Roberts WARNER *(Chairman)*
HAN Run
YANG Xianxiang

STRATEGY COMMITTEE

WANG Xuning *(Chairman)*
HUI Chi Kin Max
Stassi Anastas ANASTASSOV
SUN Zhe *(appointed on April 29, 2022)*
Yuan DING *(appointed on August 29, 2022)*
Timothy Roberts WARNER
YANG Xianxiang
WONG Tin Yau Kelvin *(resigned on August 29, 2022)*
MAO Wei *(retired on April 29, 2022)*

AUTHORISED REPRESENTATIVES

Han Run
Shan Minqi

COMPANY SECRETARY

Shan Minqi *(HKICPA)*

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F
238 Des Voeux Road Central
Sheung Wan
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F
238 Des Voeux Road Central
Sheung Wan
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISERS

As to Hong Kong and US laws

Paul Hastings
22/F, Bank of China Tower
1 Garden Road
Hong Kong

As to Cayman Islands laws

Maples and Calder (Hong Kong) LLP
26/F, Central Plaza
18 Harbour Road, Wan Chai
Hong Kong

AUDITOR

Ernst & Young *(Certified Public Accountants)*
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

PRINCIPAL BANK

Industrial and Commercial Bank of China (Asia) Limited

STOCK CODE

1691

COMPANY'S WEBSITE

www.jsgloballife.com

DATE OF LISTING

December 18, 2019

Summary of Financial Information

	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000
Results					
Revenue	**5,041,210**	5,150,593	4,195,816	3,016,094	2,681,914
Gross profit	**1,880,186**	1,924,383	1,742,786	1,126,526	999,043
Profit before tax	**456,705**	574,835	526,775	118,980	140,393
Profit for the year	**357,503**	460,702	402,306	85,177	112,123
Profit attributable to the owners of the parent	**332,274**	420,499	344,430	42,134	34,883
Total comprehensive income for the year	**280,942**	478,055	456,835	81,705	79,305
Total comprehensive income attributable to the owners of the parent	**273,412**	432,358	380,344	38,069	19,566
Adjusted EBITDA[1]	**673,035**	733,533	662,938	405,491	312,055
Adjusted net profit[2]	**425,587**	502,444	419,259	233,889	151,105

(1) EBITDA is defined as profit before tax plus finance costs, depreciation and amortization, less interest income, see "— Non-IFRS Measures" below.

(2) Adjusted net profit is defined as profit for the year adjusted for certain items that do not affect the Company's ongoing operating performance, including items arising from acquisition and relating to the reorganization in preparation for the Global Offering and non-recurring items and items not related to the Company's ordinary course of business (each without considering tax effect), see "— Non-IFRS Measures" below.

	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000
Assets:					
Non-current assets	**2,053,686**	2,029,736	1,940,394	1,999,419	1,889,354
Current assets	**2,582,129**	2,779,075	2,713,714	1,775,373	1,411,345
Total assets	**4,635,815**	4,808,811	4,654,108	3,774,792	3,300,699
Equity and liabilities:					
Equity attributable to owners of the parent	**1,899,692**	1,860,097	1,611,778	1,287,821	(103,717)
Non-controlling interests	**164,957**	228,798	308,589	245,540	566,721
Total equity	**2,064,649**	2,088,895	1,920,367	1,533,361	463,004
Non-current liabilities	**976,138**	1,096,519	1,115,882	1,250,973	1,557,020
Current liabilities	**1,595,028**	1,623,397	1,617,859	990,458	1,280,675
Total liabilities	**2,571,166**	2,719,916	2,733,741	2,241,431	2,837,695
Total equity and liabilities	**4,635,815**	4,808,811	4,654,108	3,774,792	3,300,699

Chairman's Statement

Dear Shareholders,

On behalf of JS Global Lifestyle Company Limited, I am pleased to present the 2022 annual report of the Group.

Looking back the past three years, the world has experienced or is experiencing various black swan and gray rhino events, such as the COVID-19 pandemic, supply chain crisis, geopolitical conflicts, Russia-Ukraine war, fluctuations in raw material prices, inflation and rising interest rates. However, against the past challenging backdrop, our Company has obtained one remarkable achievement after another with collaboration and teamwork.

OPERATIONAL HIGHLIGHT OF THE YEAR

During the financial year of 2022 (the "**FY 2022**"), the Company achieved sales revenue of approximately US$5,041 million, representing a year-on-year decrease of 2.1%. The SharkNinja segment achieved a revenue of approximately US$3,716 million, which is similar to last year. The Joyoung segment achieved a revenue of approximately US$1,325 million, representing a year-on-year decrease of 7.7%.

Under the unfavorable external environment, the revenue of the SharkNinja segment still kept flat compared with the previous year, attributable to its continued exploration of opportunities in existing markets and new markets, as well as its development strategy of continuously launching new category. In addition, the continued international expansion of the SharkNinja segment within Europe and other regions provided significant growth during 2022. The revenue growth in non-US dollar regions did not result in a satisfying performance under the impact of exchange rate fluctuations. The revenue growth of SharkNinja segment would reach 2.4% at constant exchange rates.

The decrease of revenue in the Joyoung segment was primarily attributable to the persistent challenges within the China market in 2022 and the impact of exchange rate fluctuations. The revenue of Joyoung for the year would decrease by 3.7% only at constant exchange rates. As a leading brand in the domestic small home appliance industry, Joyoung will continue to insist on innovation, actively grasp the growth trend, develop and innovate more new products to meet the market demand, devote itself to accelerating the development of potential categories such as cleaning appliances, and devote itself to building the company into a full category of high-quality small home appliance leader.

The gross profit of the Company for FY2022 was approximately US$1,880 million, representing a year-on-year decrease of 2.3%, while gross profit margin was 37.3%, which was a slight decrease of 0.1 percentage point year-on-year. With some cost headwinds and more promotional investment in the second half of the year, we can still almost maintain the gross profit margin due to the favorable product mix.

The adjusted net profit of the Company for FY2022 decreased by 15.3% year-on-year to approximately US$426 million driven by the impact of destocking of retailers. As the material strategic restructuring stated below is still in progress, the Board does not recommend the payment of a final dividend. However, the Company has always attached great importance to the interests of all Shareholders, and will actively consider distributing dividends to Shareholders in due course after the completion of material strategic restructuring.

MATERIAL STRATEGIC RESTRUCTURING

On February 23, 2023, the Company published an announcement in relation to the proposed spin-off and listing of the business of SharkNinja segment in North America, Europe and other selected international markets (the "**SharkNinja Company**" or the "**Proposed Spin-off Company**") in the United States (the "**Proposed Spin-off**"), pursuant to which the Company expected to carry out a distribution-in-specie of the entire shares held by Proposed Spin-off Company to all Shareholders of the Company on a pro rata basis (the "**Proposed Distribution**"), and the Company would retain the Joyoung segment as well as the business of SharkNinja in Asia Pacific (the "**SharkNinja APAC**").

We believe that the Proposed Spin-off and the Proposed Distribution are expected to offer the following benefits to the Company and our Shareholders:

i. the operational and financial advantages of the Company and the Proposed Spin-off Company would be better reflected. The investors could form better understanding in businesses with different markets through the Proposed Spin-off, assess each business and investment portfolio of the Company and the Proposed Spin-off Company and make better investment decisions or adjust their investment exposure accordingly;

ii. two independent businesses in different markets, being the Company and the Proposed Spin-off Company with enhanced geographic focus, would be created to enhance their respective operational efficiency. Both companies would achieve continued growth and increase market share by innovation products offerings in their respective operational areas; and

iii. the independence of the corporate governance of the Company and the Proposed Spin-off Company will be strengthened, which is conducive to the sustainable development of their respective businesses. At the same time, it will also help both companies improve their ability to recruit, motivate and retain key employees.

Upon completion of the Proposed Spin-off and the Proposed Distribution, the Shareholders of JS Global Lifestyle Company Limited would hold both the shares of the Company and the Proposed Spin-off Company. Please refer to the announcement dated February 23, 2023 and further announcements and/or circular to be published by the Company for more details of the Proposed Spin-off and the Proposed Distribution.

FUTURE OUTLOOK

2023 will be a turning point for the Company. The Company will enter into a new development stage following by the Proposed Spin-off and the Proposed Distribution. The development direction and operating regions of the Company will be clearer. We will integrate advantageous resources and improve work efficiency, focusing on the development of the Asia Pacific market including Greater China, among which:

i. Joyoung segment will focus on small kitchen appliances, with combining three potential businesses of water appliances, cookware and cleaning appliances to gradually turn the corner and achieve long-term growth and value realization;

ii. SharkNinja APAC will integrate resources and continue to penetrate the Asia Pacific market in different regions through both direct and distributor models on the growth basis over the past few years; and

iii. the Company intends to establish a localized R&D and operation team for the Asia-Pacific region, respond to market and consumer needs in a timely manner, and bring better life experience to consumers in the Asia-Pacific region, including Greater China, with excellent products and services.

Chairman's Statement

The business model of the Company will remain unchanged to continuously focus on and explore consumer needs, launch innovative products through a strong global R&D platform, and create winning products by leveraging our strong marketing and media communication capabilities, as well as an omni-channel sales network. Meanwhile, the Company will continue to maintain synergies with SharkNinja Company and fully leverage its advantages of R&D and supply chain collaboration.

The operation objective of the Company is to become a leading small household appliance company in the Asia Pacific market in the next three to five years.

The past development and reform of JS Global Lifestyle Company Limited were inseparable from the support and companionship of all Shareholders along the way. In the future, I hope to jointly witness our rapid development in the Asia Pacific market with all Shareholders, and provide higher quality of lifestyle to consumers through the products of Joyoung, Shark and Ninja.

Wang Xuning

Chairman

Hong Kong, March 31, 2023

Management Discussion and Analysis

The following discussion should be read in conjunction with the consolidated financial information of the Group, including the related notes, set forth in the financial information section of this announcement.

BUSINESS OVERVIEW

Our mission is to positively impact people's lives around the world every day through transformational, innovative, and design-driven smart home products.

We are a global leader in high-quality, innovative small household appliances and our success is centered around our deep understanding of consumer needs and is built on our strong product innovation and design capability powered by a global research and development platform, marketing strengths driving high brand engagement, and an omni-channel distribution model with high penetration. Through continuously creating new products, expanding, and diversifying our product portfolio to stimulate consumers' demand and grow the market, we are the leader of the market, reshaping the consumer behavior and their lifestyle globally. With trusted market-leading brands, Shark, Ninja and Joyoung, we continue to maintain a leading position in the global small household appliance market.

We focus on three core competencies: (i) developing transformational innovative products with appealing designs; (ii) effecting multi-form brand marketing; and (iii) building a global omni-channel sales network. They are supported by operational infrastructure, including a global research and development platform which utilizes consumer engagement to amass information on consumer preferences and behaviors that informs and influences the product development process, a centralized supply chain with a global reach and a comprehensive information management system across the entire value chain.

We offered our transformational and innovative small household appliances under the brand names of Shark, Ninja and Joyoung, within the following two business segments during the Reporting Period:

- the SharkNinja segment focused on home environment appliances and kitchen appliances which are sold in North America, Europe, Japan and various other countries throughout the world. The Shark and Ninja brands maintained leading market share in multiple product categories and in a number of countries through an intense focus on quality, reliability, consumer satisfaction and accessible innovation to consumers;
- the Joyoung segment continued to focus on the development of kitchen appliances, cleaning appliances, water appliances and cookwares. In China, our Joyoung brand maintained leading market share in several innovative product categories.

Global Update

2022 marked another strong year for the Company, as revenue remained nearly flat with only a slight decrease of 2.1% after the growth of 22.8% in 2021 and 39.1% in 2020. On a constant currency basis, our revenue would have increased by 0.7% but was impacted by devaluation of the Chinese Reminmbi, the Great British Pound and the Japanese Yen against the U.S. Dollar in 2022. We faced challenging economic conditions in 2022 amidst the rise in inflation in many of the markets in which we sell our products, along with retailer destocking as a result of economic uncertainty. Despite those challenges, we were able to maintain revenue level after the growth we achieved in 2020 and 2021 by continuing to execute on our strategy of launching new products in new product categories, bringing new technology to our existing categories which allowed us to continue to gain market share, and by continuing our plans to grow internationally outside of China and the U.S..

We have continued to invest in the areas that are going to drive continued growth for us as well, including the development of exciting new products within our existing categories, the development of new products in new categories, and international expansion. As a result of those investments, our adjusted net profit declined by 15.3% to US$425.6 million, but we are confident that those investments will enable us to sustain our growth moving forward.

The COVID-19 pandemic continued to cause disruptions to our business, particularly in China in 2022, and concerns about the economy and inflation have caused uncertainties within all of the markets that we operate in. Our 2022 results are evidence of the strength of our long-term strategy and ability to execute on it despite the challenges we have faced and the continued hard work and ongoing dedication of our associates and partners around the globe.

The United States

Shark remains the #1 vacuum brand in the U.S., while Ninja continues to be the #1 brand in small kitchen appliances in the U.S. Retaining these incredible standings, in very competitive markets, is a direct result of executing on our strategy of growing market share in existing categories and launching into new categories.

Our market share grew in nearly every major category that we operate in. Our market share within cleaning appliances grew from 32.0% to 34.6%[1], cooking appliances declined from 27.4% to 26.2%[2], and food preparation appliances grew from 33.4% to 36.1%[3] in the U.S. We also grew market share within product categories that we launched into in 2021 including hair care products in which our market share grew from 0.8% in 2021 to 7.4% in 2022[4], air purifiers in which our market share increased from 3.0% in 2021 to 6.4% in 2022[5] and ice cream makers in which our market share increased from 23.7% in 2021 to 60.5% in 2022[6]. We have been able to grow our market share in the U.S. by the following ways:

- Launching new categories in 2022 which allowed us to start winning market share in those new categories. The following list represents product launches in new product categories in 2022:
    - **Ninja Woodfire Outdoor Grill** which is our first entry into the outdoor grilling category. This product includes seven cooking functions including grill, smoker, roast, bake, dehydrate, air crisp and broil without the use of either gas or charcoal.
    - **Shark Hydrovac**, marking our first entry into the two-in-one vacuum category. This product vacuums, mops and cleans itself at the same time. The continuous self-cleaning system keeps dirt from being redeposited back on the floor.

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1 Source: The NPD Group/Retail Tracking Service, U.S. dollar sales, January–December 2022 vs. January–December 2021. "Cleaning appliances" include: Bare Floor Cleaners, Upright Vacuums, Stick Vacuums, Robotic Vacuums, Hand Vacuums

2 Source: The NPD Group/Retail Tracking Service, U.S. dollar sales, January–December 2022 vs. January–December 2021. "Cooking appliances" include: Air Fryers, Fryers, Electric Grills, Other Electric Grills/Griddles, Multi-Cookers, Toaster Oven

3 Source: The NPD Group/Retail Tracking Service, U.S. dollar sales, January–December 2022 vs. January–December 2021. "Food preparation appliances" include: Juice Extractors, Traditional Blending, Kitchen System, Single Serve Blending & Processing, Traditional Food Processor

4 Source: The NPD Group/Retail Tracking Service, U.S. dollar sales, January–December 2022 vs. January–December 2021 "Hair Care" includes: Hair Dryers and Hot Air Stylers

5 Source: The NPD Group/Retail Tracking Service, U.S. dollar sales, January–December 2022 vs. January–December 2021 (Air Purifiers)

6 Source: The NPD Group/Retail Tracking Service, U.S. dollar sales, January–December 2022 vs. January–December 2021 (Ice Cream/Yogurt Makers)

- Securing strong placement of these new categories at retailers as a result of our solid track record of success when we have expanded into new product categories in the past, and our willingness to invest in advertising to support the new product launches.
- Launching numerous new products in existing categories in order to grow market share globally, including a new series of vacuums with odor neutralizer technology.
- Continuing to expand upon new categories that were launched in 2021 by bringing an expanded assortment of products to those categories in 2022 with additional features and functionality including:
    - **Shark Flexstyle** which was built upon our 2021 entry into the personal care space. This product transforms between a powerful, fast hair dryer, and an ultra-versatile multi-styler.
    - **Shark Air-Purifier 3-in-1 and Shark Air Purifier Max** which were built upon our entry into air purification in 2021. These products include such features as HEPA filtration and odor neutralization, Clean Sense IQ, and purified air, purified heat and purified fan modes.
    - **Ninja Creami Deluxe 11-in-1 XL Ice Cream Maker** which was built upon our entry into the ice cream maker space in 2021. This product has 11 functions, the ability to hold 3 cups, and Advanced Creamify Technology.
- Continuing to heavily leverage, with respect to all of our product launches, consumer insights in order to validate that the products we are bringing to the market will resonate with consumers and create excitement, while also living up to the claims we are making in our advertising.

Marketing and advertising continued to be a significant area of spending for us, as we continued to invest in digital advertising, short-form and long-form television advertising to provide further knowledge to consumers about the products we are bringing to the market. Further, we are leveraging new media channels, broadening advertising support by pushing notification wherever the consumer spends time across streaming, social platforms, and mobile, while maintaining close partnerships with platforms to test, learn and scale up. We increased influencer marketing activity, with a bigger focus on promoting consumer 5-star reviews and experiences to drive online conversation and spread authentic word-of-mouth, showcasing our strong and growing consumer loyalty.

We have continued to leverage our omni-channel distribution strategy as sales shifted from offline to online and consumers are able to find our products wherever they choose to shop. We have leveraged our strong relationships with retailers to gain incremental product placements and key promotions during Amazon Prime Day, Black Friday, Cyber Week, and other key promotional periods.

China

The Joyoung segment of the Group actively developed serialized and scenario-based product portfolios to satisfy the demands of consumers of different age groups. In 2022, we targeted different scenarios and launched several series of products. In our main selling series of products, we launched high-performance multi-functional blenders with zinc oxide bacteriostatic technology, air fryers with stereo hot air cyclic heating technology that do not need flip-overs, zero-coating rice cookers with water film technology, water purifiers with integrated bacteriostat, heat and purification functions, Damowang non-stick and wear-resisting fry pan (大磨王耐磨不粘炒鍋), which enhanced Joyoung's brand influence and the touch of technology of its products effectively. In addition, the self-cleaning function of small household appliances has become an essential option for product optimization and upgrading. From the kitchen to the whole house, from the "wash-free" high-performance multi-functional blender to the "one-button self-cleaning" wet dry vacuum, the Company actively took advantages of consumers insight, grasping the mainstream direction of the iteration of wet dry vacuum — the features of sterilization, antibacterial and deodorization, launched a wet dry vacuum with multiple functions such as automatic drying and electrolytic tap water sterilization.

In terms of channels, Joyoung used a three-dimensional and multi-level sales network to achieve precise coverage of consumer groups in different circles. In 2022, Joyoung comprehensively deployed content e-commerce platforms (primarily Douyin), and expanded corresponding online brand flagship stores and live broadcast rooms according to different categories, different channels, and different customer groups, and insisted on multi-platform, diversified and high-frequency online live broadcasts, and was committed to realizing the sales closed loop of the shortest link. In the offline market, relying on the original tens of thousands of sales terminals, Joyoung constantly improved and optimized the sales network, actively deployed and continued to explore new retail channels, and promoted the construction of brand stores represented by shopping mall stores.

In terms of operation, in 2022, Joyoung gave full play to the advantages of its self-built digital middle platform network, continuously improved digital operations, and proactively adapted to the trend of high-speed integration of online and offline development, and completed the construction of content marketing, offline experience, online ordering, nearby delivery, door-to-door service and other rich new retail O2O shopping experience, shortening the distance with consumers, users, and fans, and accumulating a valuable big data foundation for the future deep mining of digital economic value. In addition, Joyoung also comprehensively improved the operation quality and efficiency of the front and back offices through digital system management in the supply chain and warehousing.

In 2022, although the domestic economy continued to suffer from the double-sided attack of the COVID-19 pandemic and the external environment, according to the inferential data by All View Cloud ("**AVC**") through traditional channels, the online and offline average retail prices of 13 major categories of small kitchen appliances in 2022 increased by 4.5% and 9.7% respectively, showing that the consumption environment was picking up. Consumers were willing to pay a reasonable premium for higher-quality, better-looking, and more convenient products. After the relaxation of the prevention and control policies against the COVID-19 pandemic at the end of 2022, the Chinese economy was also moving towards recovery.

Europe

The Shark and Ninja brands continued to gain market share in all major categories we operate in within the European market. These positive trends in Europe continue to be driven by executing on our strategy of growing market share in existing categories, expanding into new markets, and launching into new categories.

During 2022, the Shark brand grew its market value share in the United Kingdom (the "**U.K.**") vacuum cleaner market to 31.8%, growing 1.2 percentage points compared to the same period in 2021[7]. In 2022, the Ninja brand held a 16.9%[8] market value share of the food preparation market in the U.K. This is up from 12.5% in 2021. Ninja held a market value share of 59.6% of electrical cooking pots in the U.K. in 2022 – this is up from 47.9% in the same period in 2021[9]. In 2022, Ninja grew in value within the deep fryers market by 217%, and held 42.7% market share in terms of value.[10]

Other Markets

During 2022, the Group also reported strong growth in other markets, particularly in Israel and Japan where we have launched several cleaning appliances designed specifically for Japan, which have been widely embraced by consumers.

FINANCIAL REVIEW

Overall performance

During the year ended December 31, 2022, the total revenue of the Group was US$5,041.2 million, a year-on-year decrease of 2.1%. Gross profit was US$1,880.2 million, a year-on-year decrease of 2.3%. Gross profit margin was 37.3%, a decrease of 0.1 percentage point compared to 37.4% in 2021. Profit for the year ended December 31, 2022 decreased by 22.4% year-on-year to approximately US$357.5 million. EBITDA[11] for the year ended December 31, 2022 decreased by 12.2% year-on-year to approximately US$624.5 million and adjusted EBITDA[12] for the year ended December 31, 2022 decreased by 8.2% year-on-year to approximately US$673.0 million. Adjusted net profit[13] for the year ended December 31, 2022 decreased by 15.3% year-on-year to approximately US$425.6 million. Profit attributable to owners of the parent decreased by approximately 21.0% year-on-year to approximately US$332.3 million. The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

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7 GfK; Market Intelligence; Panelmarket Total Vacuum Cleaners; Value Sales, GB; Jan–Dec 2021 & Jan–Dec 2022

8 GfK; Market Intelligence; Total Food Preparation; Value Sales, GB; GB; January–December 2022 & January–December 2021

9 GfK; Market Intelligence; Total Electrical Cooking Pots; Volume & Value Sales, GB; January–December 2022 & January–December 2021

10 GfK; Market Intelligence; Total Deep Fryers; Volume & Value Sales, GB; GB; January–December 2022 & January–December 2021

11 EBITDA is defined as profit before taxation plus finance costs, depreciation and amortization, less interest income. For a reconciliation of profit before tax for the year to EBITDA as defined, see "— Non-IFRS Measures" below.

12 For a reconciliation of EBITDA for the year ended December 31, 2022 to adjusted EBITDA as defined, see "— Non-IFRS Measures" below.

13 Adjusted net profit is defined as profit for the year adjusted for certain items that do not affect the Company's ongoing operating performance, including items arising from acquisition and relating to the reorganization in preparation for the global offering and non-recurring items and items not related to the Company's ordinary course of business (each without considering tax effect). For a reconciliation of profit for the years to adjusted net profit, see "— Non-IFRS Measures" below.

Revenue

For the year ended December 31, 2022, the Group recorded a total revenue of US$5,041.2 million (2021: US$5,150.6 million), representing a year-on-year decrease of 2.1%.

The following table sets forth the breakdown of the Group's revenue by business segment:

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	(in US$ million, except percentage)			
SharkNinja segment	**3,715.9**	**73.7**	3,714.9	72.1
Joyoung segment	**1,325.3**	**26.3**	1,435.7	27.9
Total	**5,041.2**	**100.0**	5,150.6	100.0

The SharkNinja segment represents the Group's SharkNinja business unit, which distributes its products in the U.S., Europe and other markets around the world and primarily focuses on cleaning appliances and kitchen appliances. The Joyoung segment represents the Group's Joyoung business unit, which focuses on kitchen appliances in China.

Revenue from the SharkNinja segment was US$3,715.9 million (2021: US$3,714.9 million), similar to the prior year, and accounting for 73.7% of the total revenue of the Group; revenue from the Joyoung segment was US$1,325.3 million (2021: US$1,435.7 million), decreased by 7.7% year-on-year, and accounting for approximately 26.3% of the total revenue of the Group.

The SharkNinja Segment maintained sales in 2022 by growing sales in categories that launched in 2021 including air purification, personal care and ice cream makers, as well as by generating incremental sales from categories that launched in 2022 including outdoor grills and 2-in-1 vacuums. Those increases were offset by the impact of foreign currency as the Great British Pound, the Euro and the Japanese Yen were weaker throughout 2022 as compared to 2021. On a constant currency basis, revenue from the SharkNinja Segment would have been up by 2.4%. In addition, we saw softer consumer demand for some of our product categories as well as retailer destocking.

The decrease of revenue in the Joyoung segment was primarily attributable to the persistent challenges within the China market, and softer demand and depression of consumer market under uncertain economic environment. In addition, revenue was negatively impacted by business disruptions caused by the COVID-19 pandemic especially in the fourth quarter of 2022.

Management Discussion and Analysis

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

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	(in US$ million, except percentage)			
Shark	**2,056.6**	**40.8**	2,013.0	39.1
Ninja	**1,667.6**	**33.1**	1,722.5	33.4
Joyoung	**1,317.0**	**26.1**	1,415.1	27.5
Total	**5,041.2**	**100.0**	5,150.6	100.0

For the year ended December 31, 2022, the revenue contributed by the Shark brand was US$2,056.6 million (2021: US$2,013.0 million), representing a year-on-year increase of approximately 2.2%. Our sales of Shark branded product increased as a result of growth within air purification and personal care products categories, both of which were new sub-categories that launched in the second half of 2021 and benefited from a full year of sales in 2022 along with an expanded product portfolio which was launched throughout 2022. In addition, we gained market share within cleaning appliances market, despite softer consumer demand for certain types of cleaning appliance products.

For the year ended December 31, 2022, the revenue contributed by the Ninja brand was US$1,667.6 million (2021: US$1,722.5 million), representing a year-on-year decrease of approximately 3.2%. This decrease is a result of retailer destocking and softer consumer demand for the cooking appliances category, offset by market share gains and growth within recent new sub-category launches including ice cream makers which were launched in 2021 and benefited from a full year of sales in 2022, and outdoor grills which were launched in 2022.

For the year ended December 31, 2022, the revenue contributed by the Joyoung brand was US$1,317.0 million (2021: US$1,415.1 million), representing a year-on-year decrease of approximately 6.9%. Such decrease was mainly due to softer consumer demand under uncertain economic environment during the year and business disruptions by the COVID-19 pandemic in the fourth quarter of 2022.

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

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	(in US$ million, except percentage)			
North America	**2,928.1**	**58.1**	2,964.0	57.6
China	**1,307.2**	**25.9**	1,398.2	27.1
Europe	**632.3**	**12.5**	616.8	12.0
Other markets	**173.6**	**3.5**	171.6	3.3
Total	**5,041.2**	**100.0**	5,150.6	100.0

For the year ended December 31, 2022, total revenue generated from North America was approximately US$2,928.1 million (2021: US$2,964.0 million), representing year-on-year decrease of 1.2%. Our sales in North America benefited from the growth within air purification products, personal care products and ice cream makers which were new sub-categories that were launched in 2021 and benefited from a full year of sales in 2022. In addition, we generated incremental sales from new product sub-categories which were launched in 2022 including outdoor grills and 2-in-1 vacuums, and we gained market share across existing categories. This incremental revenue was offset by declines in existing categories due to softer consumer demand and retailer destocking.

For the year ended December 31, 2022, total revenue generated from China was approximately US$1,307.2 million (2021: US$1,398.2 million), representing a year-on-year decrease of approximately 6.5%. The decrease in China was primarily due to the macro environment that the overall demand in the small household appliance industry slowed down and offline channels were affected, as the small household appliance industry in China encountered temporary challenges. In addition, revenue was negatively impacted by business disruptions caused by COVID-19 pandemic especially in the fourth quarter of 2022.

For the year ended December 31, 2022, total revenue generated from Europe was approximately US$632.3 million (2021: US$616.8 million), representing a year-on-year growth of 2.5%. On a constant currency basis, our revenue generated from Europe would have increased by 14.6% but were impacted by the devaluation of the Great British Pound and Euro against the U.S. Dollar. Growth on a constant currency basis was a result of incremental sales due to market share gains in the U.K. as well as growth in Germany and other countries which we are expanding our presence in.

For the year ended December 31, 2022, total revenue generated from other markets was approximately US$173.6 million (2021: US$171.6 million), representing a year-on-year growth of 1.2%. On a constant currency basis, our revenue generated from other markets would have increased by 8.8% but were impacted by the devaluation of the Japanese Yen against the U.S. Dollar in 2022. Growth in other markets was generated by expanding our presence in several countries including Japan, Australia, New Zealand and Israel.

The following table sets forth the breakdown of the Group's revenue by product category:

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	(in US$ million, except percentage)			
Cleaning appliances	**1,940.1**	**38.5**	1,962.5	38.1
Cooking appliances	**1,762.0**	**34.9**	1,868.1	36.3
Food preparation appliances	**1,012.8**	**20.1**	1,045.6	20.3
Others	**326.3**	**6.5**	274.4	5.3
Total	**5,041.2**	**100.0**	5,150.6	100.0

Cleaning appliances include upright vacuums, robotic vacuums, cordless and corded stick vacuums and other floor care products. Cooking appliances include rice cookers, pressure cookers, induction cookers, air fryers, countertop grills and ovens, outdoor grills, coffee and tea makers and other appliances and utensils for cooking.

Food preparation appliances include high-performance multifunctional blenders, soymilk makers, food processors, ice cream makers and other small household appliances that facilitate the food preparation process. Others product category includes small household appliances, such as water purifiers, ventilators, water heaters, air purifiers, personal care, garment care and thermos.

For the year ended December 31, 2022, cleaning appliances remained as the Group's largest product category, with revenue contribution of 38.5% for the Reporting Period. The cleaning category declined by 1.1% year-on-year to US$1,940.1 million. We largely maintained sales in this category as a result of market share gains and new product innovation, despite softer consumer demand for certain types of cleaning appliance products.

Revenue generated from the cooking appliances category decreased by 5.7% year-on-year to US$1,762.0 million for the year ended December 31, 2022. This decrease is a result of retailer destocking and softer consumer demand for the category, offset by market share gains.

For the year ended December 31, 2022, food preparation appliances recorded revenue decline of 3.1%, with the revenue of US$1,012.8 million. This decrease is a result of overall softness in the market within most regions that we sell in, partially offset by growth within recent new sub-category launches including ice cream makers.

For the year ended December 31, 2022, others product category recorded a year-on-year growth of 18.9% to approximately US$326.3 million. This increase was a result of growth within air purification and personal care products, both of which were new sub-categories that were launched in the second half of 2021 and benefited from a full year of sales in 2022 along with an expanded product portfolio which was launched throughout 2022.

OTHER FINANCIAL INFORMATION

Cost of sales

For the year ended December 31, 2022, the cost of sales of the Group was approximately US$3,161.0 million (2021: US$3,226.2 million), representing a year-on-year decrease of approximately 2.0%. The decrease was primarily attributable to the decrease in sales as well as other factors impacting our cost of sales as described further below.

The following table sets forth the breakdown of the cost of sales of the Group by business segment:

	For the year ended December 31,			
	2022		2021	
	Amount	%	Amount	%
	(in US$ million, except percentage)			
SharkNinja segment	**2,260.5**	**71.5**	2,227.8	69.1
Joyoung segment	**900.5**	**28.5**	998.4	30.9
Total	**3,161.0**	**100.0**	3,226.2	100.0

For the year ended December 31, 2022, the SharkNinja segment recorded a total cost of sales of approximately US$2,260.5 million (2021: US$2,227.8 million), representing a year-on-year increase of approximately 1.5%. The increase was primarily attributable to certain cost headwinds including higher average container and commodity costs throughout 2022 as compared to 2021. These headwinds were partially offset by the benefit of tariff exclusions on most of the vacuums and air fryers that were imported into the U.S. from China.

For the year ended December 31, 2022, the Joyoung segment recorded a total cost of sales of approximately US$900.5 million (2021: US$998.4 million), representing a year-on-year decrease of approximately 9.8%. The decrease was primarily due to decrease in sales and effective cost control implemented during the year.

Gross profit

For the year ended December 31, 2022, the gross profit of the Group was approximately US$1,880.2 million (2021: US$1,924.4 million), representing a year-on-year decrease of approximately 2.3%. The decrease was primarily attributable to the decrease in revenue along with a decrease in gross profit margin of the SharkNinja segment, partially offset by an increase in gross profit margin from the Joyoung segment.

Gross profit margin was 37.3% in 2022, representing a decrease of 0.1 percentage point from 37.4% in 2021. The decline in gross profit margin was due to a decline in gross profit margin of the SharkNinja segment, as explained below, partially offset by an increase in gross profit margin of the Joyoung segment.

The following table sets forth the Group's gross profit and gross margin by business segment:

	For the year ended December 31,			
	2022		2021	
	Gross Profit	Gross Margin %	Gross Profit	Gross Margin %
	(in US$ million, except percentage)			
SharkNinja segment	**1,455.4**	**39.2**	1,487.1	40.0
Joyoung segment	**424.8**	**32.1**	437.3	30.5
Total	**1,880.2**	**37.3**	1,924.4	37.4

The gross profit margin for the year ended December 31, 2022 was 37.3%, representing a decrease of 0.1 percentage point from 37.4% for the year ended December 31, 2021. For the year ended December 31, 2022, the SharkNinja segment recorded a gross profit of approximately US$1,455.4 million (2021: US$1,487.1 million), representing a year-on-year decrease of approximately 2.1%, and its gross profit margin decreased by 0.8 percentage point in 2022. The decrease in gross profit margin was primarily attributable to certain cost headwinds including higher average container and commodity costs throughout 2022 as compared to 2021 along with more investment in promotions to ensure strong retailer sell-through of our products. These headwinds were partially offset by the benefit of tariff exclusions on most of the vacuums and air fryers that were imported into the U.S. from China.

For the year ended December 31, 2022, the Joyoung segment recorded a gross profit of approximately US$424.8 million (2021: US$437.3 million), representing a year-on-year decrease of approximately 2.9%. The gross profit margin increased from 30.5% in 2021 to 32.1% in 2022, mainly attributable to the change of product mix which the proportion of new products with higher gross margin increased compared with the prior year.

Other income and gains

Other income and gains of the Group primarily include (i) gain on financial assets at their fair value; (ii) government grants (mainly relating to research and promotion activities, innovation and patents); (iii) bank interest income; (iv) net rental income from investment property operating leases and (v) foreign exchange differences, net.

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

	For the year ended December 31, 2022	2021
	(in US$ million)	
Other income		
Bank interest income	**7.6**	8.1
Net rental income from investment property operating leases	**2.8**	1.4
Government grants	**15.4**	13.2
Others	**2.9**	3.3
Subtotal	**28.7**	26.0
Gains		
Gain on financial assets at fair value through profit or loss, net	**5.2**	9.8
Gain on disposal of associates, net	**—**	1.1
Foreign exchange differences, net	**2.8**	—
Others	**0.2**	4.4
Subtotal	**8.2**	15.3

In 2022, other income and gains of the Group was approximately US$36.9 million (2021: US$41.3 million), representing a year-on-year decrease of approximately 10.7%. The decrease was primarily due to decrease in net gain from financial assets at fair value through profit or loss as compared with the prior year.

Selling and distribution expenses

Selling and distribution expenses of the Group primarily consist of (i) advertising expenses; (ii) warehousing and transportation expenses for sales of products; (iii) trade marketing expenses in relation to marketing and branding expenses primarily at sales channel; (iv) staff cost in relation to sales and distribution staff; (v) business development expenses; and (vi) office expenses and others.

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

	For the year ended December 31, 2022	2021
	(in US$ million)	
Advertising expenses	**293.1**	316.5
Warehousing and transportation expenses	**158.8**	172.2
Trade marketing expenses	**137.2**	143.1
Staff cost	**121.0**	108.1
Business development expenses	**18.8**	17.5
Office expenses and others	**61.5**	51.4
Total	**790.4**	808.8

The Group's selling and distribution expenses decreased by approximately 2.3% year-on-year from approximately US$808.8 million in 2021 to approximately US$790.4 million in 2022, which was mainly due to the decrease in advertising expenses due to optimization of media investments in certain channels and product categories and warehousing and transport expenses as a result of the sales decrease.

Administrative expenses

Administrative expenses primarily consist of (i) staff cost in relation to product development and administrative staff; (ii) professional service fees primarily consisting of (a) legal fees, (b) tax, audit and advisory fees, and (c) engineering consulting fees; (iii) depreciation and amortization; (iv) office expenses; and (v) other expenses.

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

	For the year ended December 31, 2022	2021
	(in US$ million)	
Staff cost	**331.1**	286.0
Professional service fees	**69.3**	63.4
Depreciation and amortization	**59.1**	54.4
Office expenses	**22.0**	25.6
Other expenses[14]	**128.4**	108.2
Total	**609.9**	537.6

The Group's administrative expenses increased by approximately 13.4% year-on-year from approximately US$537.6 million for the year ended December 31, 2021 to approximately US$609.9 million for the year ended December 31, 2022. The increase was primarily attributable to headcount investments within new product development and the impact of international business expansion, as well as certain non-recurring bonuses granted during the year.

14 Other expenses primarily include bank transaction fees, prototype expenses, patent fee and traveling expenses.

Other expenses

Other expenses of the Group primarily consist of (i) foreign exchange differences, net; (ii) impairment on prepayments and other assets; and (iii) other expenses.

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

	For the year ended December 31, 2022	2021
	(in US$ million)	
Foreign exchange difference, net[15]	**—**	6.3
Impairment of prepayments and other assets	**4.1**	0.5
Other	**4.2**	3.0
Total	**8.3**	9.8

Finance costs

Finance costs primarily represent (i) interest expenses on bank loans; (ii) interest expenses on lease liabilities; (iii) amortization of deferred finance costs, representing amortization of various fees associated with the bank loans; and (iv) other finance costs.

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

	For the year ended December 31, 2022	2021
	(in US$ million)	
Interest on bank loans	**35.1**	20.0
Interest on lease liabilities	**3.8**	3.5
Amortization of deferred finance costs	**3.8**	3.6
Other finance costs[16]	**4.7**	0.8
Total	**47.4**	27.9

Finance costs of the Group increased by approximately 70.1% year-on-year from approximately US$27.9 million for the year ended December 31, 2021 to approximately US$47.4 million for the year ended December 31, 2022. The increase was primarily attributable to increase in average interest rates on bank loans in 2022.

15 The foreign exchange differences, net for the current year was net exchange gain which was included in "other income and gains".

16 Other finance costs primarily include transaction fees for bills and trade receivables discounting.

Income tax

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which its entities are domiciled and operate. Under the relevant People's Republic of China ("**PRC**") income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2021: 25%) on their respective taxable income. During 2022, four (2021: five) of the Group's entities obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

During 2022, the Group's U.S. subsidiaries were subject to U.S. federal income tax at the rate of 21.0%, and to various U.S. state income taxes at rates ranging from 0.38% to 11.5%. The Group's subsidiaries in the U.K. were subject to the income tax rate of 19.0% during 2022.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits rates regime.

Income tax expense of the Group decreased by approximately 13.1% year-on-year from approximately US$114.1 million in 2021 to approximately US$99.2 million in 2022. The decrease was primarily attributable to the decrease in the Group's profit before tax, partially offset by the increased PRC dividend withholding tax.

Net profit

As a result of the foregoing reasons, net profit for the Group for the year ended December 31, 2022 decreased by approximately 22.4% from approximately US$460.7 million in 2021 to approximately US$357.5 million in 2022.

NON-IFRS MEASURES

To supplement the Group's consolidated statements of profit or loss which are presented in accordance with IFRS, the Group also uses adjusted net profit, EBITDA and adjusted EBITDA as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Group believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provide useful information to investors and management in facilitating a comparison of the Group's operating performance from period to period by eliminating potential impacts of certain items that do not affect the Group's ongoing operating performance, including expenses arising from the acquisition of SharkNinja and the reorganization (the "**Reorganization**") in preparation for the Global Offering in 2019, and non-operational or one-off expenses and gains (each without considering tax effect). Such non-IFRS measures allow investors to consider matrices used by the Group's management in evaluating the Group's performance. From time to time in the future, there may be other items that the Group may exclude in reviewing the Group's financial results. The use of the non-IFRS measures has limitations as an analytical tool, and it should not be considered in isolation from, or as a substitute for or superior to analysis of, the Group's results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

Management Discussion and Analysis

The following table shows the Group's adjusted net profit, EBITDA and adjusted EBITDA:

	For the year ended December 31, 2022 (in US$ million)	2021
Profit for the year	**357.5**	460.7
Add:		
Items arising from acquisition and relating to the Reorganization	***19.6***	*19.6*
Amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja	**19.6**	19.6
Non-recurring items and items not related to the Company's ordinary course of business	***48.5***	*22.1*
Stock-based compensation[17]	**19.1**	28.4
Gain on disposal of property, plant and equipment, investment property, associates and subsidiaries	**—**	(1.1)
Loss/(gain) on fair value change from financial assets	**18.1**	(5.2)
Gain on fair value change from derivative financial instruments	**(22.7)**	—
One-off bonus	**34.0**	—
Adjusted net profit	**425.6**	502.4
Attributable to:		
Owners of the parent	**393.8**	464.0
Non-controlling interests	**31.8**	38.4
	425.6	502.4

17 The amount in 2022 includes stock-based compensation of US$12.2 million and an one-off adjustment of US$6.9 million on employee receivables related to stock-based compensation.

	For the year ended December 31, 2022 (in US$ million)	2021
Profit before tax	**456.7**	574.8
Add:		
Finance cost	**47.4**	27.9
Depreciation and amortization	**128.0**	116.8
Bank interest income	**(7.6)**	(8.1)
EBITDA	**624.5**	711.4
Add:		
Non-recurring items and items not related to the Company's ordinary course of business	***48.5***	*22.1*
Stock-based compensation[18]	**19.1**	28.4
Gain on disposal of property, plant and equipment, investment property, associates and subsidiaries	**—**	(1.1)
Loss/(gain) on fair value change from financial assets	**18.1**	(5.2)
Gain on fair value change from derivative financial instruments	**(22.7)**	—
One-off bonus	**34.0**	—
Adjusted EBITDA	**673.0**	733.5

The non-IFRS measures used by the Group adjusted for, among other things, (i) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja, (ii) stock-based compensation, (iii) gain on disposal of property, plant and equipment, investment property, associates and subsidiaries, (iv) loss or gain on fair value change from financial assets, (v) gain on fair value change from derivative financial instruments and (vi) certain non-recurring bonuses, which may be considered recurring in nature but are neither considered by the Group as related to the Group's ordinary course of business nor indicative of the Group's ongoing core operating performance. Therefore, the Group believes that these items should be adjusted for when calculating adjusted EBITDA and adjusted net profit, as applicable, in order to provide investors with a complete and fair understanding of the Group's core operating results and financial performance, so that investors can assess the Group's underlying core performance undistorted by items unrelated to the Group's ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations but without any material acquisition.

18 The amount in 2022 includes stock-based compensation of US$12.2 million and an one-off adjustment of US$6.9 million on employee receivables related to stock-based compensation.

Liquidity and financial resources

Inventory

The Group's inventory decreased by 17.4% from approximately US$782.3 million as of December 31, 2021 to approximately US$646.3 million as of December 31, 2022. This decrease is in part due to a decrease in in-transit inventory to North America and Europe as the length of time that it took to import products from China to those regions was prolonged in 2021 due to supply chain disruptions. In addition, lower inventory level was kept by Joyoung segment following the destocking strategy. Inventory turnover days[19] increased from 76 days in 2021 to 82 days in 2022.

Trade and bills receivables

The Group's trade receivables decreased by 3.8% from approximately US$1,245.7 million as of December 31, 2021 to approximately US$1,198.0 million as of December 31, 2022. The decrease was primarily due to lower sales in the fourth quarter of 2022 as compared to 2021. Trade receivables turnover days[20] increased from 86 days in 2021 to 88 days in 2022.

Trade and bills payables

The Group's trade payables decreased by 21.8% from approximately US$879.1 million as of December 31, 2021 to approximately US$687.5 million as of December 31, 2022. Trade payables turnover days[21] decreased from 98 days in 2021 to 90 days in 2022.

During the year ended December 31, 2022, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from (i) bank borrowings; and (ii) cash generated from operations.

As of December 31, 2022, the Group had cash and cash equivalents of approximately US$504.1 million as compared to US$555.5 million as of December 31, 2021. The cash and cash equivalents of the Group are mainly denominated in HK$, RMB and US$.

As of December 31, 2022, the Group's total borrowings amounted to approximately US$857.1 million, representing a decrease of approximately 9.0% compared to approximately US$942.1 million as of December 31, 2021. As at December 31, 2022, all of the Group's borrowings were denominated in US$, and the borrowings were based on floating interest rates.

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19 Average inventories equal inventories at the beginning of the year plus inventories at the end of the year, divided by two. Turnover of average inventories equals average inventories divided by cost of sales and multiplied by the number of days in the year.

20 Average trade and bills receivables equal trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year, divided by two. Turnover of average trade and bills receivables equals average trade and bills receivables divided by revenue and then multiplied by the number of days in the year.

21 Average trade and bills payables equal trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year, divided by two. Turnover of average trade and bills payables equals average trade and bills payables divided by cost of sales and then multiplied by the number of days in the year.

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

	As of December 31, 2022 (in US$ million)
Interest-bearing bank borrowings (current portion)	**135.3**
Interest-bearing bank borrowings (non-current portion)	**721.8**
Total	**857.1**

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

	As of December 31, 2022 (in US$ million)
Repayable within one year	**135.3**
Repayable within two years	**222.8**
Repayable within three to five years	**499.0**
Total	**857.1**

As of December 31, 2022, the Group had total bank facilities of approximately US$1,062.5 million (2021: approximately US$1,150.0 million), of which bank facilities of approximately US$200.0 million were unutilized (2021: approximately US$200.0 million).

Gearing ratio

As of December 31, 2022, the Group's gearing ratio (calculated as the total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity) was 45.6%, representing a decrease of 3.7 percentage points as compared with 49.3% as of December 31, 2021. The decrease was mainly attributable to decrease in bank borrowings this year.

Foreign exchange risk

The Group's currency exposures arise from sales or purchases by business units in currencies other than their respective functional currencies.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency exchange rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As the borrowings of the Group are all denominated in US$, the interest rates on its borrowings are primarily affected by the benchmark interest rates set by the LIBOR.

The Group manages its interest rate risk by closely monitoring and regulating the debt portfolio of the Group and will consider entering into interest rate swap contracts should the need arise.

Charge on assets

As of December 31, 2022, certain assets of the Group's subsidiaries had been pledged to secure the Group's borrowings of a total amount of US$857.1 million and total pledged assets accounted for approximately 56.4% of the total assets of the Group. As of December 31, 2022, the equity interest of certain of the Group's subsidiaries had been pledged to secure the Group's borrowings.

Capital expenditures

The capital expenditures of the Group primarily consist of additions to property, plant and equipment, investment properties, prepaid land lease payments, right-of-use assets and other intangible assets. For the year ended December 31, 2022, capital expenditures of the Group amounted to approximately US$165.3 million (2021: US$149.6 million).

Contingent liabilities

As of December 31, 2022, the Group had no material contingent liabilities.

Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	2022 US$'000	2021 US$'000
Contracted, but not provided for:		
Property, plant and equipment	**27,396**	13,285
Intangible assets	**2,888**	2,127
	30,284	15,412

PROSPECT & STRATEGY

Growth Strategies

The Company is committed to driving sustainable long-term growth and strengthening the market position as a global leader in small household appliances through the following strategies:

- develop and commercialize innovative products, combining powerful technology with appealing designs;
- drive sustainable long-term growth through sales network and product category expansion;
- maximize synergies between the Joyoung segment and the SharkNinja segment;
- strengthen the Group's brand recognition and enhance consumer engagement; and
- pursue strategic partnerships and acquisitions.

With respect to growth through our sales network, in 2022, we focused on expanding internationally including further growth within the U.K. and Japan, building momentum from our 2020 launch in Germany and France, and at the same time working with major retailers in these countries to have the products placed through local sales teams. In the long run, the Group's development strategy focuses on three dimensions: the growth of existing products, the increase in new product offerings and the expansion to new global markets. We will continue to follow and explore consumer demands, launch innovative products continuously through our strong global R&D platform, and create winning products leveraging our strong marketing and media communication capabilities and omni-channel sales network.

With regards to product innovation, we continually seek to expand the product portfolio within the categories that we are already in. Further, we have recently expanded into categories that are brand new to us, including outdoor cooking, bakeware, and home environment, in addition to further expansion within personal care and beauty, cutlery, air purifiers, cookware, and ice cream makers categories. Beyond these new categories that have been launched within 2021 and 2022, we continue to identify new segments of the market where we can bring innovation to customers. We also plan to continue to develop new products within existing categories in order to continue to diversify our offering of products within each of those categories.

The core competitiveness of Joyoung is mainly reflected in the advantages of mid-to-high-end, all category and multi-brand positionings; the nationwide online and offline sales network, especially the new retail channels represented by retail stores "Shopping Mall" and the operational advantages of content e-commerce; the product advantages of insight into consumer needs and focusing on the core mainstream category innovation; and the use of digital middle platform to explore the value of big data and strengthen the advantages of digital operation.

Global Supply Chain and Macroeconomic Factors

Throughout 2022 we saw far fewer disruptions to the global supply chain which impacted our business in 2020 and 2021, and in the second half of 2022 we also saw costs of certain types of supply chain such as ocean freight started to decline. In addition, we saw several currencies including the Chinese Renminbi, the Great British Pound, the Euro and the Japanese Yen all weaken against the U.S. Dollar in 2022. While the weakening of those currencies impacts the amount of revenue and profit that we generate from those markets, a devalued Chinese Renminbi allows us to reduce our product costs from our suppliers in China.

In 2022, we navigated concerns about inflation in most of the markets that we operate in, as well as concerns about an economic recession. As a result, retailers were not willing to carry as much inventory as they historically have and consumers were more focused on buying products during promotional periods rather than when products are sold at full price.

We believe the costs of our products and the related ocean freight costs that we incur to import those products into North America and Europe will be less on average during 2023 than it was during 2022 as a result of the recent trends noted above, but we anticipate that concerns about the economic and inflation will continue throughout 2023. However, we believe the demand for our products will continue to be strong moving forward as we continue to bring new innovation to the market.

Go-Forward Impact of Trade War

Most of the vacuums, air fryers and air purifiers that we import from China to the U.S. have been subject to the ongoing trade war between the U.S. and China. As a result, we paid 25% tariffs on those goods imported into the U.S. during 2021. However, on March 23, 2022, the Office of the United States Trade Representative announced that tariff exclusions on most of our products that had been subject to those 25% tariffs would be reinstated through December 31, 2022, retroactive to October 12, 2021 and on December 21, 2022 those tariff exclusions were extended to September 30, 2023. Accordingly, we expect to be able to import the majority of the vacuums, air friers and air purifiers that are produced in China into the U.S. without tariffs during 2023.

As a result of trade war between the U.S. and China as well as the desire to further diversify our supply chain, we have continued to source finished goods from outside of China with suppliers in Vietnam and Thailand. We are also working with those suppliers to improve supply chain efficiency and reduce their costs to be closer to the cost we pay for products produced in China moving forward. Despite tariff exclusions being reinstated for 2023, we are maintaining our focus on a diversified supply chain by shifting production out of China and working on initiatives to lower our product cost on those goods.

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. WANG Xuning (王旭寧), age 54, has been the Chairman and Chief Executive Officer of the Company since June 25, 2019, the executive Director since July 2018, and the Global Chief Executive Officer of SharkNinja SPV since September 2017. He has been the Chairman of the Strategy Committee and Nomination Committee of the Company since the Listing Date. Mr. WANG has held several positions within the Group, including serving as a director of SharkNinja Operating LLC since April 2019, a director of SharkNinja Sales Company since September 2017. He also served as the Chairman of Joyoung from September 2007 to December 2022, and the General Manager and the President of Joyoung from September 2007 to March 2019. In 1994, Mr. WANG founded our Group by first conducting research and development on fully automatic soymilk maker. Mr. WANG received several awards and recognitions for his industry expertise, including being awarded the Ernst & Young (China) Entrepreneur Award (安永(中國)企業家獎) in 2012, being listed as one of the "Top Ten Innovative Figures in Household Appliance Industry of China (中國家電十大創新人物)" by people.com.cn (人民網) in December 2008 and he received the Highest Technology Award of Jinan (濟南市科技最高獎) in 2011. Mr. WANG was recognized as a senior engineer in October 1999.

Mr. WANG received a Bachelor's degree in electric traction and transmission control from Beijing Jiaotong University (北京交通大學) (formerly known as North Jiaotong University (北方交通大學)) in China in July 1991, and a Master of Business Administration from China Europe International Business School (中歐國際工商學院) in China in October 2003.

Ms. HAN Run (韓潤), age 43, has been an executive Director and the Chief Financial Officer since June 25, 2019 and a member of the Remuneration Committee of the Company since the Listing Date. Ms. HAN has held several positions within the Group, including serving as the Vice Chairwoman of Joyoung since April 2019, and a director of SharkNinja SPV since September 2017. She also served as the Board Secretary and Vice General Manager of Joyoung from March 2015 to March 2019, and the Vice President of Joyoung from March 2007 to March 2015. Ms. HAN also holds several positions within non-commercial organizations. She has served as the Vice President of China Household Electrical Appliances Association (中國家用電器協會) since December 2015 and a member of Shandong Jinan Committee of the Chinese People's Political Consultative Conference (CPPCC) since January 2022. She served as a member of the eighth and ninth sessions of the Huaiyin District Committee of the CPPCC (政協槐蔭區委員會) from 2012 to January 2022. Ms. HAN was granted the "New Fortune Gold Medal Board Secretary (新財富金牌董秘)" by New Fortune magazine in April 2019, the "Industry Elite Award (行業精英獎)" at the 30th anniversary ceremony of the China Household Electrical Appliances Association (中國家用電器協會) in December 2018, the "Advanced Individual of Enterprise Intellectual Property (企業知識產權工作先進個人)" by the State Intellectual Property Office (國家知識產權局) in December 2016, as well as the "First Award of the Science and Technology Progress of China Light Industry Council (中國輕工業聯合會科學技術進步一等獎)" by the China Light Industry Council (中國輕工業聯合會) in 2014.

Ms. HAN received an Executive Master of Business Administration from Guanghua School of Management of Peking University (北京大學光華管理學院) in China in January 2014.

Biographies of Directors and Senior Management

Ms. HUANG Shuling (黃淑玲), age 59, has been an executive Director since June 25, 2019. Ms. HUANG has also been an executive director of Shanghai Lihong since November 2010, and the Chairwoman and General Manager of Shanghai Lihong since December 2018. She served as the Vice Chairwoman of Joyoung from September 2007 to March 2019, and the Chairwoman of Shandong Joyoung Small Appliance Limited from July 2002 to September 2007. Ms. HUANG co-founded our Group in October 1994. She has also held several other positions within non-commercial organizations, including serving as a standing committee member of the Twelfth Session of Executive Committee of All-China Federation of Industry and Commerce (中華全國工商業聯合會第十二屆執行委員會) since November 2017. She is also currently the Vice Chairwoman of the Association of Industry and Commerce of Shandong (山東省工商業聯合會) and a standing committee member of the twelfth session of the Shandong Committee of the CPPCC (政協山東省委員會).

Ms. HUANG received a Bachelor of Economics in planning statistics from Shandong University of Finance and Economics (山東財經大學) (formerly known as Shandong Economic School (山東經濟學院)) in Shandong, China in July 1987, and an Executive Master of Business Administration in senior management business administration from Cheung Kong School of Business (長江商學院) in Beijing, China in September 2007.

Non-executive Directors

Mr. HUI Chi Kin Max (許志堅), age 49, has been a non-executive Director since June 25, 2019 and a member of the Strategy Committee of the Company since the Listing Date. He also served as a director of SharkNinja SPV, primarily responsible for company oversight and formation from July 2017 to July 2020. Mr. HUI is also a director of Nova Credit Limited, a credit bureau and reg-tech company in Hong Kong. From 2009 to 2017, Mr. HUI served as a non-executive director of China Modern Dairy Holdings Ltd., a company listed on the Stock Exchange (Stock Code: 01117), for corporate development and strategic planning. Mr. HUI has more than 22 years of experience in investment and fund management. He served as the Chief Executive Officer of CDH Investment Advisory Private Limited in Singapore from 2013 till 2022 and is currently a managing director and an investment committee member of the private equity division at CDH Investments. Prior to joining CDH Investments in 2003, Mr. HUI worked with the investment banking departments of Schroders & Co. in New York and the private equity division of Morgan Stanley Dean Witter Asia in Hong Kong from 1999 to 2003. Prior to working in the financial industry, Mr. HUI was an engineer at the oil and gas pipeline division of Bechtel Corporation in San Francisco from 1997 to 1998.

Mr. HUI received a Bachelor's degree in chemical engineering from the University of California, Berkeley in December 1996, and a Master of Engineering from Princeton University in June 1999. He is currently serving philanthropically as an advisor for Berkeley Frontier Fund in the United States.

Mr. Stassi Anastas ANASTASSOV, age 61, has been a non-executive Director since June 25, 2019 and a member of the Strategy Committee of the Company since the Listing Date. He has served as a Senior Consultant in Total Shareholder Return Limited, a private equity-focused advisory firm, since July 2015. He served as the U.S.A. Global President and Chief Executive Officer of Duracell Company, a former division of Procter & Gamble ("**P&G**"), from November 2010 to January 2015. From 2001 to November 2010, he served as a Vice President at P&G, being responsible for babycare products, feminine care products and snacks in the Central Europe, Eastern Europe, Middle East and Africa markets. From July 1999 to June 2001, he was a General Manager of P&G responsible for Near East Markets (including Lebanon, Jordan, Syria and Israel) and the Eastern Europe market (Moscow). From May 1987 to August 1999 he held different positions within P&G, successively serving as an Assistant Brand Manager being responsible for babycare products in France, a Brand Manager being responsible for paper and dish products in Nordic, a Marketing Manager being responsible for laundry and cleaning products in Nordic, a Marketing Director in charge of marketing operations in Russia and a General Manager being responsible for Russian business operations covering laundry, cleaning, baby and feminine products.

Mr. ANASTASSOV received a bachelor's degree in business administration and economics from Uppsala University in Sweden in June 1987.

Mr. SUN Zhe (孫哲), aged 57, has been a non-executive Director and a member of the Strategy Committee of the Company since April 29, 2022. He is currently the co-director of China Program and senior visiting scholar at the School of International and Public Affairs of Columbia University. He is the founding director of the Center for U.S.-China Relations at Tsinghua University. He was a professor of International Affairs and doctoral supervisor of Tsinghua University from 2006 to 2016 and a professor and deputy director of the Center for American Studies at Fudan University from 2000 to 2006. Mr. SUN has taught at the East Asian Institute, Columbia University and Ramapo College, New Jersey. He is the author and editor of twenty-three books on comparative politics and U.S.-China relations. Mr. SUN has served as an independent non-executive director of China Resources Land Limited (Stock code: 1109) since April 2017 and served as an independent non-executive director of MGM China Holdings Limited (Stock code: 2282) from September 2010 to May 2021. The shares of these companies are all listed on The Stock Exchange of Hong Kong Limited.

Mr. SUN obtained a Bachelor's and a Master's degree in law from Fudan University in 1987 and 1989 respectively and obtained a Doctor's degree in political science and international relations from Columbia University in 2000. He also obtained a Master of Art degree majoring in political science from Indiana State University in 1992.

Independent Non-Executive Directors

Mr. Yuan DING (丁遠), aged 53, has been an independent non-executive Director, the Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Strategy Committee of the Company since August 29, 2022. He served as a tenured professor in accounting and management control at the HEC School of Management in Paris, France from September 1999 to September 2006. He joined China Europe International Business School since September 2006, and currently serves as the Cathay Capital Chair Professor in Accounting, vice president and dean. Mr. DING has served as an independent non-executive director of Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1999) since December 2016. He has been an independent non-executive director of Bluestar Adisseo Company (藍星安迪蘇股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600299), since August 2018 and a non-executive director of Saurer Intelligent Technology Co. Ltd (卓郎智能技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600545), since May 2018. Since January 2021, Mr. DING has also served as an independent non-executive director of Shanghai Large & Kunchi Group Inc. (上海路捷鯤馳集團股份有限公司), a private consumer goods company. Mr. DING was an independent non-executive director of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司) (stock code: 1528) from March 2012 to November 2018 and Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 106) from July 2013 to May 2019, respectively, both of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Jaccar Holdings, a private investment company, from July 2011 to August 2021. Mr. DING was an independent director and the chairman of the audit committee of Anhui Gujing Distillery Co., Ltd. (安徽古井貢酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000596), from June 2008 to June 2011 and at TCL Corporation (TCL集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000100), from June 2008 to June 2014. From July 2011 to June 2015, he was a director and the chairman of the audit committee of Maglndustries Corp., a company listed on the Toronto Stock Exchange (stock code: MAA). Mr. DING has more than twenty years of experience in teaching and researching financial accounting, financial statement analysis, corporate governance and mergers and acquisitions.

Mr. DING graduated with a Doctor of Philosophy degree in management science from the College of Business Administration, Bordeaux IV University in France in December 2000. He also obtained a master's degree in Enterprises Administration from the University of Poitiers, France in June 1995.

Mr. Timothy Roberts WARNER, age 72, has been an independent non-executive Director since October 11, 2019, and the Chairman of the Remuneration Committee and a member of the Strategy Committee and Audit Committee of the Company since the Listing Date. Mr. WARNER has extensive experience in corporate finance and management operations. He has also served as the Chairman of the board of the Tuition Plan Consortium, a national prepaid tuition plan for private colleges and universities in the United States, and has served as the Co-President of Board of Trustees of the Western Reserve Academy since 2010. He has been a Vice Provost for budget and auxiliaries management at Stanford University since 1994, primarily responsible for strategic and financial planning and the line management of several large important service organizations within Stanford University.

Mr. WARNER received a bachelor's degree in Arts with honors in history from Wesleyan University in the United States in May 1973, and a Master of Business Administration from the Graduate School of Business of Stanford University in the United States in June 1977.

Mr. YANG Xianxiang (楊現祥), age 56, has been an independent non-executive Director since October 11, 2019, and a member of the Strategy Committee, Audit Committee, Nomination Committee and Remuneration Committee of the Company since the Listing Date. Mr. YANG has been the chief executive officer of SITC International Holdings Co., Ltd, a company listed on the Stock Exchange (Stock Code: 1308) since January 2008 has served as a non-independent director of Shanghai Fortune Techgroup Co., Ltd (上海潤欣科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300493), since May 18, 2021. He has over 30 years of experience in the shipping industry through his employment in the shipping companies. From July 1987 to July 1997, Mr. YANG served for Lufeng Shipping Co., Ltd. Mr. YANG has served successively as general manager, executive vice president and president of SITC since 1997.

Mr. YANG received an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in China in April 2006.

SENIOR MANAGEMENT

Mr. WANG Xuning (王旭寧), age 54, is the Chairman, Chief Executive Officer and an executive Director of the Company, the Chairman of Joyoung and the Global Chief Executive officer of SharkNinja SPV. See "— Directors — Executive Directors."

Ms. HAN Run (韓潤), age 43, is an executive Director and the Chief Financial Officer of the Company and the Vice Chairwoman of Joyoung. See "— Directors — Executive Directors" above.

Mr. Mark Adam BARROCAS, age 51, has served as the Global President of the Company since June 2019. He has also served in various other positions within the Group, including serving as the President of SharkNinja Operating LLC since September 2008 with responsibility for all of its subsidiaries. Prior to joining the Group, Mr. BARROCAS served as the President of the Wearguard Division of Aramark Uniform Services from November 2005 to September 2008, and also served as Sale and Marketing President, Alpha Division and Executive Vice President of Broder Bros., Co. from December 2003 to February 2005, and President of Broder Bros., Co. from February 2005 to November 2005, respectively.

Mr. BARROCAS received a bachelor's degree in general studies from the University of Michigan, US in August 2004.

Ms. YANG Ningning (楊寧寧), age 44, has served as the President and a director of the board of Joyoung since March 2019 and October 2010 respectively, and has been re-designated to the Chairwoman of Joyoung since December 2022. She also served as the Chairwoman of SharkNinja (China) Technology Co., Ltd. since August 2018. She had also served as the Vice President of Joyoung from April 2014 to March 2019, and the Chief Financial Officer of Joyoung from September 2007 to October 2013.

Ms. YANG received the Executive Master of Business Administration from the City University of Hong Kong in October 2019.

Mr. GUO Lang (郭浪), age 48, has served as the General Manager of Joyoung since December 2022. Mr. GUO has sufficient experience in consumer goods operations, who had served as the National Sales Director and President of Greater China Region of Dyson Technology (Shanghai) Limited, the National Sales Director of L'OREAL (CHINA) Co., Ltd. for the Carnier brand and the sales manager of Procter&Gamble (Guangzhou) Ltd.

Mr. GUO received his Bachelor of Engineering degree in Industrial and Foreign Trade from Hunan University in July 1993.

Mr. Paul CARBONE, aged 57, joined SharkNinja in November 2022 as Chief Financial Officer, mainly responsible for the overall financial management of SharkNinja. Mr. CARBONE has over 20 years of significant financial experience in consumer goods and retail and is a Certified Public Accountant (CPA) of the Ohio Board of Accountancy.

Mr. CARBONE earned his MBA in Finance at Gies College of Business at the University of Illinois Urbana-Champaign in June 2000, and received his Bachelor of Science in Business Administration in Accounting and Finance from the University of South Carolina and a Bachelor of Science in Management from the University of Massachusetts, Amherst respectively.

Mr. KAN Jiangang (闞建剛), aged 41, has served as the Chief Financial Officer of Joyoung since March 2022. He also served as Financial Director of the Company from July 2020 to February 2022, as overseas Financial Director of Tianqi Lithium Corporation from April 2018 to February 2020, and had successively held several financial positions from Financial Manager to Financial Director in Regional Business Units of Robert Bosch Group from March 2009 to March 2018.

Mr. KAN received a Master of Professional Accounting from Monash University in Victoria, Australia in December 2007, and qualified as a Chartered Accountant from The Institute of Chartered Accountants in Australia in February 2013.

Report of the Directors

The Board is pleased to present this annual report and the audited financial statements of the Group for the year ended December 31, 2022.

The Company was incorporated in the Cayman Islands on July 26, 2018 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on December 18, 2019.

SHARE CAPITAL

Details of the share capital of the Company during the year ended December 31, 2022 are set out in note 35 to the financial statements.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group is a global leader in high-quality, innovative small household appliances with a number of successful and trusted brands worldwide, including Shark, Ninja and Joyoung. By catering to local needs in different international markets, the Group's business is rooted in the U.S. and the PRC, the two largest small household appliance markets in the world. In addition, the Group has also expanded its business footprint into other developed markets around the world, especially in the Asia-Pacific region.

BUSINESS REVIEW

A fair review of the Group's business is set out in the Chairman's Statement, Business Overview, Financial Review and Outlook and Strategy sections of this Annual Report.

DIVIDEND POLICY

The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount:

(i) the Group's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's liquidity position;

(v) contractual restrictions under the facilities agreement on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;

(vi) taxation considerations;

(vii) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(viii) other factors that the Board deems relevant.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 22, 2023. The notice of the Annual General Meeting will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsgloballife.com) and despatched to the Shareholders in due course.

PAYMENT OF FINAL DIVIDEND

Due to the Group is processing the significant strategic restructuring, the Board does not recommend the payment of final dividend for the year ended December 31, 2022 (2021: HK$0.4098 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 17, 2023 to May 22, 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on May 16, 2023.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Mr. Yuan DING (Chairman), Mr. Timothy Roberts WARNER and Mr. YANG Xianxiang, has discussed with the external auditor of the Company, Ernst & Young, and reviewed the Group's consolidated financial information for the year ended December 31, 2022, including the accounting principles and practices adopted by the Group.

RESERVES

Details of movements in the reserves of the Company during the year ended December 31, 2022 are set out in note 37 of the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the amount of reserves available for distribution of the Company was approximately US$551,361,000.

DONATIONS

During the year ended December 31, 2022, the Company and its subsidiaries made charitable donations of approximately US$2,351,000 (2021: US$2,913,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the Group's largest customer accounted for 11.2% and five largest customers accounted for 36.0% of the Group's total revenue. For the year ended December 31, 2022, purchases from the Group's largest supplier accounted for 12.8% and five largest suppliers accounted for 31.7% of the Group's total purchases.

During the year ended December 31, 2022, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares) had interests in the five largest suppliers or customers of the Company.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF ASSETS

The Group did not have any significant investments during the Reporting Period. During the Reporting Period, the Group also did not carry out any material acquisitions and disposals of subsidiaries, associates and joint ventures.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On March 17, 2020, Global Appliance LLC, which is an indirect wholly-owned subsidiary of the Company, and the Company as borrowers, entered into a facilities agreement (the "**Facilities Agreement**") with a bank as arranger and agent, for loan facilities in the aggregate amount of US$1,200,000,000 (the "**Facilities**"). The final maturity date of the Facilities shall be the date falling 60 months after the date of initial utilization, being March 20, 2020. Pursuant to the Facilities Agreement, the total commitment under the Facilities may be canceled and all amounts outstanding under the Facilities may become immediately due and payable, if, amongst other things, Mr. WANG Xuning, an executive Director and the Chairman of the Board, who is also a controlling shareholder of the Company within the meaning of the Listing Rules, does not or ceases directly or indirectly to control 50% or more of the voting rights at a general meeting of the Company or serve as the Chairman of the Board.

DIRECTORS

The Directors for the year ended December 31, 2022 and up to the Latest Practicable Date were:

Executive Directors

WANG Xuning (Chairman and Chief Executive Officer)
HAN Run (Chief Financial Officer)
HUANG Shuling

Non-executive Directors

HUI Chi Kin Max
Stassi Anastas ANASTASSOV
SUN Zhe (appointed on April 29, 2022)
MAO Wei (retired on April 29, 2022)

Independent Non-executive Directors

Yuan DING (appointed on August 29, 2022)
Timothy Roberts WARNER
YANG Xianxiang
WONG Tin Yau Kelvin (resigned on August 29, 2022 due to his other personal commitments)

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

SERVICE CONTRACTS OF DIRECTORS

The Company has entered into service contracts or appointment letters with all executive Directors and non-executive Directors for a term of three years, and with all independent non-executive Directors for a term of three years, or which shall be terminated pursuant to relevant terms of respective contracts or letters of appointment.

None of the Directors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Latest biographical information of the directors of the Company is set out on pages 29 to 32 of this annual report. Save as disclosed, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

During the year ended December 31, 2022, the Company did not enter into any contract, other than the contracts of service with the Directors or any person engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole, or any substantial part of any business of the Company.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors or the controlling shareholders of the Company had a material interest, whether directly or indirectly, as at December 31, 2022 or during the Reporting Period.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

To the best knowledge of the Directors, save as disclosed below, none of the Directors had any interest in any business which directly or indirectly competes or is likely to compete with the business of the Group:

(i) Hangzhou Lexiu: As of the Latest Practicable Date, Hangzhou Lexiu Electrical Technology Company Limited (杭州樂秀電子科技有限公司) ("**Hangzhou Lexiu**") was held as to 9.14% by Ningbo Meishan Free Trade Port Area Xuning Innovation Entrepreneur Investment Partnership (Limited Partnership) (寧波梅山保稅港區旭寧創新創業投資合夥企業(有限合夥)), whose general partner is Ningbo Meishan Free Trade Port Area Xuning Investment Limited (寧波梅山保稅港區旭寧投資有限公司) ("**Xuning Investment**"). Mr. WANG Xuning, an executive Director, used to hold 99% interest in Xuning Investment which he has ceased to hold since December 5, 2022. Hangzhou Lexiu is primarily engaged in the industry of personal care appliances;

(ii) Jiuyang Bean: As of the Latest Practicable Date, Hangzhou Jiuyang Bean Industry Limited (杭州九陽豆業有限公司) ("**Jiuyang Bean**"), was owned as to 42.5%, 25.5% and 32% by Ningbo Meishan Free Trade Port Area Lihao Investment Limited, Joyoung and other independent third parties, respectively. Ningbo Meishan Free Trade Port Area Lihao Investment Limited was controlled by the Controlling Shareholders though JS Holding. Jiuyang Bean generally provides soymilk powder and commercial soymilk makers; and

(iii) Hangzhou Yibei: As of the Latest Practicable Date, Hangzhou Yibei Food Technology Company Limited (杭州易杯食品科技有限公司) ("**Hangzhou Yibei**") was directly held as to approximately 54.08% by Mr. WANG Xuning and his close associate. Hangzhou Yibei primarily provides capsule machines, drinks capsules and other capsule machine accessories.

On the basis that (i) the Group has different product categories with Hangzhou Lexiu, as the Group is primarily engaged in the kitchen and cleaning appliance market, while Hangzhou Lexiu is primarily engaged in the personal care appliance market; (ii) the Group's products have different usage scenarios from the products of Jiuyang Bean, as the Group's products are generally for home use and targeted at individual customers while Jiuyang Bean generally provides soymilk powder and commercial soymilk makers to factories, schools, stores and restaurants; and (iii) the Group's household appliance products, especially soymilk makers and blenders have different usage scenarios as Hangzhou Yibei's capsule machines, as our soymilk makers and blenders are primarily used in household kitchens to make soymilk, juice and other drinks, while Hangzhou Yibei's capsule machines mainly target at hotels, restaurants and offices to produce drinks such as coffee and milk tea, the Directors are of the view that these businesses would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of December 31, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange under the Model Code, were as follows:

(i) Interest in Shares of the Company

Name of Director or chief executive	Nature of interest	Long position/ short position	Number of Shares	Approximate percentage of shareholding in the Company[1]
Mr. Wang Xuning[2][3]	Founder of a discretionary trust who can influence how the trustee exercises his discretion, interest in controlled corporations, interest held jointly with other persons	Long position	1,934,882,576	55.37%
	Beneficial interest	Long position	47,759,890	1.37%
Ms. Han Run[2][4]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	1,603,578,331	45.89%
	Beneficial interest	Long position	11,429,472	0.33%
Ms. Huang Shuling[2][5]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	1,603,578,331	45.89%

Notes:

(1) The approximate percentage of shareholding in the Company was calculated based on the total number of issued Shares, which was 3,494,612,277 as of December 31, 2022.

(2) JS Holding Limited Partnership ("**JS Holding**") directly held 1,603,578,331 Shares. Hezhou Company Limited ("**Hezhou**") was the general partner exercising operational control over JS Holding. Tong Zhou Company Limited ("**Tong Zhou**") was its limited partner with close to 100% of the limited partnership interest. Hezhou was wholly owned by Mr. Wang Xuning through the holding companies wholly owned by the trustee of the discretionary trust founded by Mr. Wang Xuning (the "**Wang's Family Trust**"). Tong Zhou was owned by the holding companies respectively wholly owned by relevant trustee of several discretionary trusts (where their respective founders may respectively influence how the relevant trustee exercises its discretion), including the Wang's Family Trust, the trust founded by Ms. Han Run (the "**Han's Family Trust**") and the trust founded by Ms. Huang Shuling (the "**Huang's Family Trust**"). Therefore, each of Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling was deemed to be interested in the Shares held by JS Holding for the purpose of Part XV of the SFO.

(3) Sol Target Limited ("**STL**"), held 100 management shares (representing 100% voting rights) in Sol Omnibus SPC ("**Sol SPC**"). STL was wholly owned by Xuning Holdings Limited ("**XHL**"). XHL was wholly owned by Wang Family Holdings Limited ("**WFHL**"), which was in turn wholly-owned by Wang Family Global Limited ("**WFGL**", together with XHL and WFHL, the "**Wang's Holding Companies**"). The entire issued share capital of WFGL was directly owned by Trident Trust Company (HK) Limited, being the trustee of the Wang's Family Trust. Mr. Wang Xuning established the Wang's Family Trust for the benefit of himself and his family members. Therefore, Mr. Wang Xuning was deemed to be interested in 331,304,245 Shares held by Sol SPC for the purpose of part XV of the SFO. Together with Mr. Wang Xuning's interest in the Company held through JS Holding as described in note (2) above, Mr. Wang was deemed to be interested in an aggregate of 1,934,882,576 Shares held by JS Holding and Sol SPC. In addition, Mr. Wang Xuning held 36,430,416 Shares and was interested in 11,329,474 restricted stock units granted to him under the RSU Plan entitling him to receive up to 11,329,474 Shares, subject to vesting.

(4) Run Holdings Limited ("**RHL**") was wholly owned by Hannah Han Family Global Limited ("**HHFGL**"), which was in turn wholly owned by Hannah Han Family Holdings Limited ("**HHFHL**", together with RHL and HHFGL, the "**Han's Holding Companies**"). The entire issued share capital of HHFHL was directly owned by Trident Trust Company (HK) Limited, being the trustee of the Han's Family Trust. Ms. Han established the Han's Family Trust, where she can influence how the trustee exercises its discretion, for the benefit of herself and her family members. Ms. Han was deemed to be interested in the Shares held by JS Holding as described in note (2) above, and therefore Ms. Han was deemed to be interested in 1,603,578,331 Shares. In addition, Ms. Han Run was deemed to be interested in 11,429,472 Shares comprising of 8,597,104 Shares and 2,832,368 restricted stock units granted to her under the RSU Plan entitling her to receive up to 2,832,368 Shares, subject to vesting.

(5) Y&W Holdings Limited ("**YWHL**") was wholly owned by L&W Everlasting Holdings Limited ("**LEHL**"), which was in turn wholly owned by Huang Family Global Limited ("**HFGL**", together with YWHL and LEHL, the "**Huang's Holding Companies**"). The entire issued share capital of HFGL was directly owned by Trident Trust Company (HK) Limited, being the trustee of the Huang's Family Trust. Ms. Huang Shuling established the Huang's Family Trust, where she can influence how the trustee exercises its discretion, for the benefit of herself and her family members. Ms. Huang was deemed to be interested in Shares held by JS Holding as described in note (2) above, and therefore Ms. Huang was deemed to be interested in 1,603,578,331 Shares.

(ii) Interest in associated corporations

Name of Director or chief executive	Nature of interest	Long position/ short position	Associated corporations	Number of Shares	Approximate Percentage of shareholding in the associated corporation[1]
Ms. Han Run[2][3]	Beneficial interest	Long position	Joyoung	1,040,000	0.14%
Ms. Huang Shuling[2][4]	Beneficial interest	Long position	Joyoung	330,000	0.04%

Notes:

(1) The approximate percentage of shareholding in the associated corporation was calculated based on the total number of issued shares of Joyoung, which was 767,017,000 as of December 31, 2022.

(2) On June 1, 2021, Ms. HAN Run and Ms. HUANG Shuling were granted 900,000 and 300,000 options, respectively, which entitled them to subscribe for the equivalent number of shares in Joyoung in accordance with certain conditions under the Subsidiary Option Scheme. On March 30, 2022, Ms. HAN Run and Ms. HUANG Shuling were cancelled 360,000 and 120,000 options due to triggering the conditions under the Subsidiary Option Scheme.

(3) Ms. HAN Run held 500,000 shares of Joyoung.

(4) Ms. HUANG Shuling held 150,000 shares of Joyoung.

Save as disclosed above, so far as the Directors are aware, as of December 31, 2022, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2022, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Long position/ short position	Number of Shares	Approximate percentage of shareholding in the Company[1]
JS Holding[2]	Beneficial interest	Long position	1,603,578,331	45.89%
Hezhou[2]	Interest in controlled corporation	Long position	1,603,578,331	45.89%
Tong Zhou[2]	Interest in controlled corporation	Long position	1,603,578,331	45.89%
HONGTAO Holding Company Limited ("**HJHCL**")[3][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
HONGJIN Global Company Limited ("**HJGCL**")[3][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
HONGJIN Family Company Limited ("**HJFCL**")[3][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Trident Trust Company (Singapore) Ptd. Limited[3][11]	Trustee	Long position	1,603,578,331	45.89%
Mr. Zhu Hongtao[3][11]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	1,603,578,331	45.89%
Happy Seeking Limited ("**HSL**")[4][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Linlight Limited ("**LTL**")[4][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Yaloseed Limited ("**YDL**")[4][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Mr. Zhu Zechun[4][11]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	1,603,578,331	45.89%
Guo De Er Limited ("**GDEL**")[5][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Wo Er Na Limited ("**WENL**")[5][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
He Guang Limited ("**HGL**")[5][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Ms. Yang Ningning[5][6][11]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	1,603,578,331	45.89%
	Beneficial Interest	Long position	11,329,472	0.32%

Report of the Directors

Name of substantial shareholder	Nature of interest	Long position/ short position	Number of Shares	Approximate percentage of shareholding in the Company[1]
YONG JUN Limited ("**YJL**")[7][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
J&Z Family Global Limited ("**JZFGL**")[7][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Jiang Family Global Limited ("**JFGL**")[7][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Mr. Jiang Guangyong[7][11]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	Long position	1,603,578,331	45.89%
XHL[8][11]	Interest in controlled corporations, interest held jointly with other persons	Long position	1,934,882,576	55.37%
WFHL[8][11]	Interest in controlled corporations, interest held jointly with other persons	Long position	1,934,882,576	55.37%
WFGL[8][11]	Interest in controlled corporations, interest held jointly with other persons	Long position	1,934,882,576	55.37%
RHL[9][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
HHFGL[9][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
HHFHL[9][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
YWHL[10][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
LEHL[10][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
HFGL[10][11]	Interest held jointly with other persons	Long position	1,603,578,331	45.89%
Trident Trust Company (HK) Limited[11][12]	Trustee	Long position	1,934,882,576	55.37%
Sol SPC[12]	Beneficial Interest	Long position	331,304,245	9.48%
STL[12]	Interest in controlled corporation	Long position	331,304,245	9.48%
Easy Home Limited ("**Easy Home**")[13]	Beneficial Interest	Long position	175,236,139	5.01%
CDH Fund V, L.P.[13]	Interest in controlled corporation	Long position	213,292,305	6.10%

Name of substantial shareholder	Nature of interest	Long position/ short position	Number of Shares	Approximate percentage of shareholding in the Company[1]
CDH V Holdings Company Limited[13]	Interest in controlled corporation	Long position	213,292,305	6.10%
China Diamond Holdings V Limited[13]	Interest in controlled corporation	Long position	213,292,305	6.10%
China Diamond Holdings Company Limited[13]	Interest in controlled corporation	Long position	213,292,305	6.10%
JPMorgan Chase & Co.[14]	Interest in controlled corporation, investment manager, and person having a security interest in shares, approved lending agent	Long position	195,010,101	5.58%
	Interest in controlled corporation	Short position	15,652,624	0.44%
	Approved lending agent	Lending pool	6,493,899	0.18%

Notes:

(1) The percentage of shareholding in the Company was calculated based on the total number of issued Shares, which was 3,494,612,277 as of December 31, 2022.

(2) JS Holding directly held 1,603,578,331 Shares. Hezhou was the general partner exercising operational control over JS Holding. Tong Zhou was the limited partner of JS Holding with close to 100% of its limited partnership interest. Therefore, each of Hezhou and Tong Zhou was deemed to be interested in 1,603,578,331 Shares held by JS Holding for the purpose of Part XV of the SFO.

(3) HJHCL was wholly owned by HJGCL, which was in turn wholly owned by HJFCL (together with HJHCL and HJGCL, the "**Zhu HT's Holding Companies**"). The entire issued share capital of HJFCL is was directly owned by Trident Trust Company (Singapore) Pte. Limited, being the trustee of the family trust established by Mr. Zhu Hongtao (the "**Zhu HT's Family Trust**"). Mr. Zhu Hongtao established the Zhu HT's Family Trust, where he can influence how the trustee exercises his discretion, for the benefit of himself and his family members.

(4) HSL was wholly owned by LTL, which was in turn wholly owned by YDL (together with HSL and LTL, the "**Zhu ZC's Holding Companies**"). The entire issued share capital of YDL was directly owned by Trident Trust Company (HK) Limited, being the trustee of the family trust established by Mr. Zhu Zechun (the "**Zhu ZC's Family Trust**"). Mr. Zhu Zechun established the Zhu ZC's Family Trust, where he can influence how the trustee exercises its discretion, for the benefit of himself and his family members.

(5) GDEL was wholly owned by WENL, which was in turn wholly owned by HGL (together with GDEL and WENL, the "**Yang's Holding Companies**"). The entire issued share capital of HGL was directly owned by Trident Trust Company (HK) Limited, being the trustee of the family trust established by Ms. Yang Ningning (the "**Yang's Family Trust**"). Ms. Yang Ningning established the Yang's Family Trust, where she can influence how the trustee exercises its discretion, for the benefit of herimself and his her family members.

(6) Ms. Yang Ningning was granted 11,329,472 restricted stock units on October 12, 2019, entitling her to receive up to 11,329,472 ordinary shares subject to vesting, of which 7,307,509 restricted stock units had been vested as of December 31, 2022.

(7) YJL was wholly owned by JZFGL, which was in turn wholly owned by JFGL (together with YJL and JZFGL, the "**Jiang's Holding Companies**", together with the Wang's Holding Companies, the Han's Holding Companies, the Huang's Holding Companies, the Zhu HT's Holding Companies, the Zhu ZC's Holding Companies and the Yang's Holding Companies, the "**Holding Companies**"). The entire issued share capital of JFGL was directly owned by Trident Trust Company (HK) Limited, being the trustee of the family trust established by Mr. Jiang Guangyong (the "**Jiang's Family Trust**"). Mr. Jiang Guangyong established the Jiang's Family Trust, where he can influence how the trustee exercises its discretion, for the benefit of himself and his family members.

(8) XHL was wholly-owned by WFHL, the entire issued share capital of which was in turn wholly owned by WFGL. XHL directly wholly owned Hezhou, the general partner of JS Holding, and STL, which in turn held 100% voting rights of Sol SPC. Therefore, each of XHL, WFHL and WFGL was deemed to be interested in 1,934,882,576 Shares comprising of 1,603,578,331 Shares held by JS Holding and 331,304,245 Shares held by Sol SPC for the purpose of part XV of the SFO.

(9) RHL was wholly owned by HHFGL, the entire issued share capital of which was in turn wholly owned by HHFHL. The entire issued share capital of HHFHL was directly wholly owned by Trident Trust Company (HK) Limited, being the trustee of the Han's Family Trust, where Ms. Han Run can influence how the trustee exercises its discretion, for the benefit of herself and her family members.

(10) YWHL is was wholly owned by LEHL, which is was in turn wholly owned by HFGL. The entire issued share capital of HFGL iswas directly owned by Trident Trust Company (HK) Limited, being the trustee of the trust established by the Huang's Family Trust, where Ms. Huang Shuling can influence how the trustee exercises its discretion, for the benefit of herself and her family members.

(11) The Wang's Family Trust, the Han's Family Trust, the Huang's Family Trust, the Zhu HT's Family Trust, the Zhu ZC's Family Trust, the Yang's Family Trust and the Jiang's Family Trust, through Trident Trust Company (HK) Limited or Trident Trust Company (Singapore) Ptd. Limited (in the case of the Zhu HT's Family Trust) as their respective trustee (the "**Trustees**") and the Holding Companies, held their interest in the Company through a common investment entity, namely JS Holding. As such, each of the Trustees, the Holding Companies, and the founders of relevant discretionary trusts where he/she can influence how the trustee exercises its respective discretion, was deemed to be interested in the Shares in the 1,603,578,331 Shares held by JS Holding for the purpose of Part XV of the SFO.

(12) STL had 100% control in Sol SPC. STL was wholly by the Wang's Family Trust through the Wang's Holding Companies, which were wholly owned by its trustee Trident Trust Company (HK) Limited. Therefore, Trident Trust Company (HK) Limited was deemed to be interested in 331,304,245 Shares held by Sol SPC for the purpose of part XV of the SFO.

(13) Easy Home and Comfort Home Limited ("**Comfort Home**") directly held 175,236,139 and 38,056,166 Shares, respectively. Each of Easy Home and Comfort Home was a wholly-owned subsidiary of CDH Fund V, L.P. whose general partner was CDH V Holdings Company Limited. CDH V Holdings Company Limited is held as to 80% by China Diamond Holdings V Limited, which wasis in turn wholly-owned by China Diamond Holdings Company Limited. Therefore, each of CDH Fund V, L.P., CDH V Holdings Company Limited, China Diamond Holdings V Limited and China Diamond Holdings Company Limited was deemed to be interested in 213,292,305 Shares in aggregate held by Easy Home and Comfort Home for the purpose of Part XV of the SFO.

(14) 195,010,101 Shares are were held by JPMorgan Chase & Co. in long position as to (i) 18,955,002 Shares in the capacity as interest of controlled corporations, (ii) 169,179,993 Shares in the capacity as investment manager, (iii) 381,207 Shares in the capacity as person having a security interest in shares, and (iv) 6,493,899 Shares in the capacity as approved lending agent.

15,652,624 Shares are in short position held by JPMorgan Chase & Co. in the capacity as interest of controlled corporations.

Save as disclosed herein, as of December 31, 2022, the Company had not been notified by any person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "RSU Plan", "Subsidiary Option Scheme" and "JY ESOP I" below, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate during the Reporting Period.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Memorandum and Articles of Association and subject to the applicable laws and regulations, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has maintained appropriate liability insurance for its Directors and senior management.

RSU PLAN

Summary

The following is a summary of the principal terms of the restricted stock unit plan (the "**RSU Plan**") of the Company as approved by the Board on October 9, 2019 and amended by the RSU Committee of the Board on December 14, 2020, June 4, 2021, December 30, 2021 and March 29, 2022. The terms of the RSU Plan are subject to the provisions of Chapter 17 of the Listing Rules.

The purposes of the RSU Plan are to recognize and reward participants for their contribution to the Group, to attract best available personnel to provide service to the Group, and to provide additional incentives to them to remain with and further promote the success of the Group's business. The RSU Plan shall be valid and effective for a period of 10 years since its adoption date. Remaining life of the RSU Plan is 7 years as of the date of this report.

Administration

The RSU Plan shall be subject to the administration of the administrator (the "**Administrator**"), being (i) prior to the Listing, the Board, and (ii) immediately after the consummation of the Listing, the Board or a committee comprising of certain members of our Board as authorized by our Board from time to time for the purpose of administering the RSU Plan, in accordance with the terms and conditions of the RSU Plan. The Administrator may, from time to time, select the participants to whom RSUs may be granted (the "**Awards**").

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of RSU Plan, (b) determine the persons who will be granted Awards under the RSU Plan, the terms and conditions on which Awards are granted and when the Awards granted pursuant to the RSU Plan may vest, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Plan as it deems necessary; and (d) make such other decisions or determinations as it shall deem appropriate or desirable in respect of the foregoing matters stated (a), (b) and (c).

Who may join and maximum entitlement

Those eligible to participate in the RSU Plan (the "**Participants**") include: (a) full-time employees (including directors, officers and members of senior management) of our Group; and (b) any person who, in the sole opinion of the Administrator, has contributed or will contribute to any member of our Group (including business partners of any member of our Group, such as suppliers, clients, or any persons who provide technical support, consultancy, advisory or other services to any member of the Group).

There is no maximum entitlement of each Participant under the RSU Plan. The Company will comply with the relevant requirements pursuant to Chapter 17 of the Listing Rules in the event that the individual limit of any Participant is exceeded.

Maximum number of Shares

On March 29, 2022, the RSU Committee of the Board approved to amend the maximum number of the Shares underlying the RSU Plan and held by the ("**Trustee**") on trust as issued or to be issued by the Company (excluding the Shares underlying the RSUs that have lapsed or been canceled or forfeited in accordance with the terms and conditions of the RSU Plan) from 199,537,593 Shares to 300,000,000 Shares, representing approximately 8.6% of the issued Shares as at the date of this report.

The number of RSUs available for grant under the RSU Plan on January 1, 2022 and December 31, 2022 is 65,598,427 and 166,142,543 respectively.

Consideration

The consideration (if any) payable by a selected Participant to the Trustee for acceptance of the Awards under the RSU Plan shall be determined at the sole and absolute discretion of the Administrator and any such consideration shall be held by the Trustee as income of the trust funds and be applied by the Trustee as it deems appropriate or desirable in accordance with the terms of the RSU Plan and the trust deed.

Vesting

(a) Vesting Notice

Upon fulfillment or waiver (by the Administrator in its sole and absolute discretion) of the vesting period and vesting conditions (if any) applicable to a grantee or a grant, a vesting notice will be sent to the grantee by the Administrator, or by the Trustee under the authorization and instruction by the Administrator, confirming (a) the extent to which the vesting period and vesting conditions have been fulfilled or waived; (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip dividends in respect of these Shares) or the amount of cash the grantee will receive; and (c) where the grantee will receive Shares, the lock-up arrangements for such Shares (if applicable). The grantee may be required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Administrator considers necessary (which may include, without limitation, a certification that he or she has complied with all the terms and conditions set out in the RSU Plan and the relevant award agreement). In the event that the grantee fails to execute the required documents within 30 business days after receiving the vesting notice (if the documents to be executed by the grantee is set out in the vesting notice), the vested RSUs will lapse.

(b) RSUs which have vested

Subject to the execution of documents by the grantee as set out above, the RSUs which have vested shall be satisfied, at the Administrator's sole and absolute discretion within a reasonable period from the vesting date of such RSUs, either by:

- subject to the above paragraph 8, the Administrator directing and procuring the Trustee to transfer our Shares underlying the RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the grantee or his wholly-owned entity (as represented by the grantee) from the trust fund; and/or

- the Administrator directing and procuring the Trustee to pay to the grantee in cash an amount which is equivalent to the market value of our Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) set out in the paragraph (i) above by making on-market sales of such Shares and/or utilizing the cash in the trust fund according to the Administrator's instruction and after deduction or withholding of any tax, fines, levies, stamp duty and other charges applicable to the entitlement of the grantee and the sales of any Shares to fund such payment and in relation thereto.

The Administrator shall have the sole and absolute discretion to determine whether or not a grantee shall have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying a RSU prior to vesting of the RSU.

Details of the RSUs granted under the RSU Plan

As of December 31, 2022, the aggregate number of Shares underlying the granted RSUs was 34,845,107 representing approximately 1% of the issued share capital of the Company.

Details of the RSUs granted pursuant to the RSU Plan to the Directors and senior management and other employees of the Company during the Reporting Period are set out below:

			Price of Shares		Number of RSUs				
Grantee	Date of Grant	Vesting Period	Closing Price[1] (HK$)	Weighted Average Closing Price[2] (HK$)	As at January 1, 2022	Granted during the Year[3]	Vested during the Year	Forfeited or Canceled during the Year[4]	As at December 31, 2022
Director or Senior Management of the Company									
WANG Xuning	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.21	22,658,946	–	11,329,472	–	11,329,474
HAN Run	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.21	5,664,736	–	2,832,368	–	2,832,368
Mark Adam BARROCAS	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.21	15,578,025	–	7,789,012	–	7,789,013
	January 18, 2021	May 31, 2021 to May 31, 2023	–	$9.27	4,154,140	–	2,077,070	–	2,077,070
YANG Ningning	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.21	5,664,736	–	1,642,773	–	4,021,963
David William STEVENSON[5]	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.27	1,557,802	–	778,901	–	778,901
KAN Jiangang	April 1, 2021	May 31, 2021 to May 31, 2023	–	$9.21	160,000	–	80,000	–	80,000
Subtotal					55,438,385	–	26,529,596	–	28,908,789
55 Other Employees									
	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.21	1,850,000	–	741,250	–	1,108,750
	October 12, 2019	May 31, 2020 to May 31, 2023	–	$9.27	8,072,241	–	4,036,124	708,090	3,328,027
	November 10, 2021	May 31, 2022 to May 31, 2023	–	$9.27	345,000	–	172,500	–	172,500
	January 18, 2021	May 31, 2021 to May 31, 2023	–	$9.27	283,237	–	141,618	141,619	–
	January 18, 2021	May 31, 2022 to May 31, 2023	–	$9.27	318,282	–	159,141	–	159,141
	January 27, 2021	May 31, 2022 to May 31, 2023	–	$9.27	350,000	–	175,000	–	175,000
	April 1, 2021	May 31, 2021 to May 31, 2023	–	$9.21	120,000	–	30,600	–	89,400

Report of the Directors

Grantee	Date of Grant	Vesting Period	Price of Shares: Closing Price[1] (HK$)	Price of Shares: Weighted Average Closing Price[2] (HK$)	Number of RSUs: As at January 1, 2022	Granted during the Year[3]	Vested during the Year	Forfeited or Canceled during the Year[4]	As at December 31, 2022
	September 28, 2021	May 31, 2022 to May 31, 2023	–	$9.27	965,000	–	482,500	–	482,500
	March 18, 2022	May 31, 2022 to May 31, 2023	$7.71	$9.21	–	150,000	75,000	75,000	–
	March 18, 2022	May 31, 2023	$7.71	–	–	160,000	–	110,000	50,000
	March 18, 2022	May 31, 2022 to May 31, 2023	$7.71	$9.27	–	648,000	272,000	89,000	287,000
	April 1, 2022	May 31, 2023	$9.21	–	–	84,000	–	–	84,000
Subtotal					12,303,760	1,042,000	6,285,733	1,123,709	5,936,318
Total					**67,742,145**	**1,042,000**	**32,815,329**	**1,123,709**	**34,845,107**

Notes:

(1) It is the closing price of Shares immediately before the date on which the RSUs were granted in 2022.

(2) It is the weighted average closing price of Shares immediately before the date on which the RSUs were vested in 2022.

(3) Details of the the fair value of RSUs at the date of grant and the accounting standard and policy adopted are set out in Note 36 to the Financial Statements.

(4) During the year of 2022, a total of 1,123,709 RSUs were lapsed due to the termination of their employment of grantees. Exercise/purchase price is not applicable for the RSUs forfeited or canceled during the year.

(5) Mr. David William Stevenson resigned from his office during the Reporting Period.

SUBSIDIARY SHARE OPTION SCHEME

On May 28, 2021, the Company approved and adopted the share option incentive scheme of Joyoung whose shares are listed on the Shenzhen Stock Exchange and being a subsidiary of the Company (the "**Subsidiary Option Scheme**") and followed by the registration on Shenzhen Stock Exchange on June 1, 2021.

The purposes of the Subsidiary Option Scheme are to further improving the corporate governance structure of Joyoung, establishing and enhancing the long-term incentive and constraint mechanism of Joyoung, attracting and retaining talents, fully mobilizing the proactiveness and creativities of the core cadres of Joyoung, effectively promoting the cohesiveness of the core team and the core competitiveness of the enterprise, effectively aligning the interests of shareholders, Joyoung and the core team of Joyoung, enabling all parties to focus on the long-term development of Joyoung, and ensuring the achievement of the development strategies and operation objectives of Joyoung.

Eligible persons of the Subsidiary Option Scheme are the directors, senior management and core management members of Joyoung (including its subsidiaries) (the "**Eligible Person(s)**"). The remuneration committee of Joyoung shall prepare a list of those who fall under the scope of the Eligible Persons of the Subsidiary Option Scheme and the list shall be reviewed and confirmed by the supervisory committee of Joyoung.

The maximum number of shares of Joyoung in respect of which Options may be granted to each Eligible Person under the Subsidiary Option Scheme shall not in aggregate exceed 1.00% of the total share capital of Joyoung in issue during its validity period.

All options granted to the Eligible Persons are subject to different vesting periods, and each of such periods shall begin on the date on which the registration of the granted options is completed. The interval between the date of grant and the first exercise date of the options shall not be less than 12 months.

The exercise price shall be equal to or higher than the face value of the subsidiary share, and shall be equal to or higher of the following:

a. 70% of the average trading prices of the shares of Joyoung on the last trading day immediately preceding the date of the announcement of the Subsidiary Option Scheme, which was RMB21.39 per share of Joyoung; and

b. 70% of the average trading prices of the shares of Joyoung for the last 20 trading days immediately preceding the date of the announcement of the Subsidiary Option Scheme, which was RMB21.99 per share of Joyoung.

The validity period of the Subsidiary Option Scheme shall commence from the date of grant of the options, and end on the date on which all the options granted to the Eligible Persons under the Scheme have been exercised or canceled, and shall not be longer than 48 months.

Details of the movements of the options granted under the Subsidiary Option Scheme during the Reporting Period are as follows:

Category/ Name of Grantee	Date of Conditional Grant	Completion Date of Grant	Exercise Period	Exercise Price per Share RMB	Outstanding as at January 1, 2022	Granted during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	Exercised during the Reporting Period	Outstanding as at December 31, 2022
Executive Director or substantial shareholder of the Company										
Ms. Han Run	April 29, 2021	June 1, 2021	June 2, 2021–June 1, 2025	21.99	900,000	–	360,000	–	–	540,000
Ms. Yang Ningning	April 29, 2021	June 1, 2021	June 2, 2021–June 1, 2025	21.99	1,500,000	–	600,000	–	–	900,000
Ms. Huang Shuling	April 29, 2021	June 1, 2021	June 2, 2021–June 1, 2025	21.99	300,000	–	120,000	–	–	180,000
Mr. Jiang Guangyong	April 29, 2021	June 1, 2021	June 2, 2021–June 1, 2025	21.99	300,000	–	120,000	–	–	180,000
Subtotal					3,000,000	–	1,200,000	–	–	1,800,000
Other Employees										
91 Eligible Persons	April 29, 2021	June 1, 2021	June 2, 2021–June 1, 2025	21.99	12,600,000	–	5,754,000	–	–	6,846,000
Total					**15,600,000**	**–**	**6,954,000**	**–**	**–**	**8,646,000**

Notes:

(1) The closing price of share of Joyoung immediately before the date of conditional grant and the completion date of grant, was RMB33.45 and RMB32.75, respectively.

(2) The options granted to the grantees are subject to different vesting periods, and each of such periods begin on the date on which the registration of the granted options is completed. The interval between the date of grant and the first exercise date of the options shall not be less than 12 months.

For more details, please refer to the circular of the Company dated May 12, 2021 and the announcements of the Company dated May 28, 2021 and June 2, 2021.

JY ESOP I

Following is a summary of the principal terms of the phase I employee stock ownership plan of Joyoung (the **"JY ESOP I"**).

On March 28, 2022, Joyoung adopted the JY ESOP I, which was amended on April 1, 2022 and approved by the shareholders of Joyoung on April 22, 2022.

The JY ESOP I will include a maximum of 30 eligible employees, including directors, senior management and core management team of Joyoung and its subsidiaries.

The term of the JY ESOP I is 72 months. The Target Shares (as defined below) granted to the relevant eligible employee will vest on the 12th, 24th, 36th, 48th, and 60th month from the date of transfer of the relevant Target Shares to such eligible employee and 20% of the total number of the Target Shares granted to such eligible employee will vest at each time of vesting.

Pursuant to the JY ESOP I, the funding of the JY ESOP I comes from the remuneration of the employees, the self-raised funding of the employees and other sources of funding allowed by applicable laws and regulations. The maximum amount of funding that may be raised by the JY ESOP I is RMB208,000,000 and Joyoung will not provide any means of financial assistance to the eligible employees. The sources of shares (the "**Target Shares**") of JY ESOP I include A shares of Joyoung repurchased through the designated share repurchase account of Joyoung, A shares of Joyoung purchased from secondary market and other means allowed by the applicable laws and regulations. The JY ESOP I plans to use (i) a maximum of 8,000,000 shares repurchased through the designated share repurchase account of Joyoung; and (ii) such number of shares purchased from secondary market at market price with a maximum amount of RMB200,000,000 for the JY ESOP I.

As of the date of this report, JY ESOP I held 16,000,000 shares of Joyoung in total, representing 2.09% of the total issued share capital of Joyoung.

The number of shares to be issued to each eligible employee under Joyoung ESOP I will not exceed 1% of the total issued share capital of Joyoung.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2022, the Group had approximately 5,661 employees in total (as of December 31, 2021: 5,582), of which approximately 3,837 employees were with its China operation, approximately 1,075 employees were with its U.S. operations, and approximately 749 employees were with other countries or regions operations. For the year ended December 31, 2022, the Group recognized staff costs of US$452.1 million (2021: US$394.1 million).

The Group implements training programs for all of its employees, from entry-level employees to management on subjects such as corporate culture, research and development, strategies, policy and internal control, internal systems and business skills. Some of the Group's subsidiaries have labor unions that protect employees' rights, help fulfill the subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between the subsidiaries and union members. The remuneration package for employees generally includes salary and bonuses. Employees typically receive welfare benefits, including medical care, pension, occupational injury insurance and other miscellaneous benefits.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from the minimum public float requirement under Rule 8.08(1) of the Listing Rules such that the Company is subject to a minimum public float public float of 17.16%.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the

Latest Practicable Date, the public float of the Company complied with such requirement.

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

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the

Company's securities.

CONTINGENT LIABILITIES

As at December 31, 2022, the Group had no material contingent liabilities.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Company during the year ended December 31, 2022 are set out in Note 41 to the Financial Statements.

On April 4, 2022, the Company provided the funding in the amount of HK$156,000,000 (equivalent to US$20,000,000) to Grand Riches Ventures Limited (one of the RSU holding entities) under the RSU Plan to purchase the Shares on the public market with an aim of satisfying the need of RSU Plan. The participants and beneficiaries of the RSU Plan include the Directors, senior management and officers of the Company or any of their subsidiaries. As the Directors and chief executive are connected persons of the Company under Chapter 14A of the Listing Rules and the connected persons' aggregated interest in the RSUs held by Grand Riches are more than 30%, Grand Riches is therefore also a connected person of the Company under Chapter 14A of the Listing Rules, and thus the provision of the funding constitute "connected transaction" under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In February 2023, the Company submitted a proposal to the Stock Exchange in relation to the spin-off and separate listing of SharkNinja pursuant to PN15 of the Listing Rules. The Company has obtained approval from the Stock Exchange that the Company may proceed with the spin-off, and may be undertaken together with the initial public offering of the shares of SharkNinja on a U.S. Exchange, either the New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ), subject to the determination by SharkNinja and the Company. For more details, please refer to the announcement of the Company dated February 23, 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Group had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, had a material adverse effect on the Group's business, financial condition or results of operations. As far as the Company is aware, the Group had complied, in all material respects, with all relevant laws and regulations in the jurisdictions which the Group operated in during the year ended December 31, 2022.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business may be materially and adversely affected by these risks, including the following:

- global markets for its products are highly competitive and subject to rapid technological changes, and we may be unable to compete effectively in relevant markets;
- if the Group fails to successfully manage frequent product introductions and transitions, we may not remain competitive or be able to stimulate customer demand;
- any trade or import protection policies may materially and adversely affect its business;
- its global operations are subject to various risks;
- maintaining the trusted brand image of its products is critical to its success, and any failure to do so could severely damage its reputation and brand, which would have a material adverse effect on its business, financial condition and results of operations;
- if the Group is unable to manage its growth or execute its strategies effectively, its business and prospects may be materially and adversely affected;
- the Group faces risks related to sales through distributors, as it does not exercise complete control over the practice and manner of the ultimate retail sales by its distributors;
- the Group recorded a significant amount of goodwill and other intangible assets following the acquisition of SharkNinja and its net profit could be adversely affected if it recognizes impairment losses on such goodwill or other intangible assets;

- the Group faces risks and uncertainties related to the outbreak of COVID-19 which may affect its business; and
- the Group faces financial risks such as interest rate risk and financial performance risk related to its financial covenants under the faculty agreements entered by the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group acknowledges the importance of stakeholders to corporate development and pays attention to matters of concern to stakeholders including the government and regulators, shareholders and investors, employees, business partners, suppliers, customers and the community. The Group maintains transparent and bilateral exchange, strengthens mutual trust and cooperation and establishes harmonious relationship with its stakeholders.

The Group treats compliance with laws and regulations as a basic requirement for operations, and maintains good communication with the government and regulatory agencies through voluntary reporting, cooperating with reviews and investigations, and recommending industry standard improvement. The Group treats the realization of the interests of Shareholders and investors as an important business objective, establishes communication channels such as shareholder meetings and timely announcements, and delivers sound financial performance to Shareholders and investors. The Group regards employees as valuable assets, motivates employees with a competitive salary and transparent promotion mechanism, and provides them with a fair working environment. The Group also supports their career development skills with various forms of training support. The Group is engaged in regular visits, communication and industry exchange with its business partners, and maintains real-time interaction in daily operations with them in order to develop long-term and stable cooperation. The Group innovates to meet customers' needs and is committed to providing customers with high-quality and reliable services. The Group provides various online and offline channels to enable timely and accurate communication with customers, assisting them in their long-term development. The Group also maintains a sound communication mechanism with the suppliers, community, develops innovative models, conducts public welfare activities, and promotes the stable development of the community.

AUDITOR

The Company appointed Ernst & Young as the auditor of the Company for the year ended December 31, 2022. The Company will propose to re-appoint Ernst & Young as the Auditor of the Company in the coming Annual General Meeting.

By order of the Board
JS Global Lifestyle Company Limited
Wang Xuning
Chairman

Hong Kong, March 31, 2023

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Company and management of the Group are committed to maintenance of good corporate governance practices and procedures and the Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established. 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.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

Delegation of Management Function

The major powers and functions of the Board include, but are not limited to, convening the general meetings, implementing the resolutions passed at the general meetings, formulating the Company's strategic development plans, formulating financial budgets, formulating profit distribution plans, and exercising other powers and functions as conferred by the Memorandum and Articles of Association and applicable laws and regulations.

All Directors have full and timely access to all the information of the Company and advice from the senior management and company secretary of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board is responsible for making decision with respect to the strategic plans, major investment decisions and other significant operational matters of the Company, while responsibilities with respect to the implementation of the decisions of the Board, day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions.

Composition of the Board

The Board currently comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. A list of members of the Board, their positions and dates of appointment, and each Director's biography have been set out in the section headed "Biographies of the Directors and Senior Management".

All Directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. WANG Xuning currently holds both positions.

After taking into consideration the factors below, the Board considers that vesting the roles of the Chairman and Chief Executive Officer in the same person, being Mr. Wang Xuning, is beneficial to the Group's business prospects and operational coordination between Joyoung and SharkNinja: Mr. WANG Xuning is responsible for formulating the overall business strategies and conducting general management of the Group. He has been the key person contributive to the development and business expansion of Joyoung since the invention of the soymilk maker in 1990s. Also, since the acquisition of SharkNinja, being the Global Chief Executive Officer of SharkNinja SPV (the holding company of SharkNinja), he has always acted as the main point of communication between the corporate operation of Joyoung and SharkNinja. Regarding the rapidly evolving small household appliance industry in which the Group operates, the Chairman and Chief Executive Officer need to have a profound understanding and be equipped with extensive industry knowledge to stay abreast of market changes, so as to facilitate the Group's business development.

Independent Non-executive Directors

During the Reporting Period, the Company had three independent non-executive Directors at all times, in compliance with the Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors accounts for one-third of the number of the Board members.

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The term of appointment of non-executive Directors is for a term of three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Memorandum and Articles of Association.

Pursuant to Article 16.2 of the Articles of Association, any Director who is appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, pursuant to Article 16.19 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall be eligible for re-election.

Compliance with Model Code regarding Securities Transactions

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

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

Training and Continuous Professional Development of Directors

Each newly appointed director shall be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules, relevant laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

During the Reporting Period, all Directors attended the training on the obligations of a Hong Kong listed company and its directors.

According to records provided by the Directors, a summary of training received by the Directors for the year ended

December 31, 2022 is as follows:

Name of Director	Training
WANG Xuning	✓
HAN Run	✓
HUANG Shuling	✓
HUI Chi Kin Max	✓
Stassi Anastas ANASTASSOV	✓
SUN Zhe	✓
Yuan DING	✓
Timothy Roberts WARNER	✓
YANG Xianxiang	✓

Each of the Directors has attended the training which were related to latest amendments on the Listing Rules, corporate governance, liabilities of the directors and the continuing obligations of listed companies and their directors. In addition to the above training, each of the Directors has also studied the information prepared by external professional consultants on the same subject.

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended December 31, 2022.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

Attendance Records at the Meetings of the Board and Board Committees and General Meeting

The attendance records of the individual Directors at the meetings of the Board, Strategy Committee, Audit Committee, Nomination Committee, Remuneration Committee and the general meeting for Reporting Period are set out as follows:

	Number of Meetings Attended/Held					
Directors	**Board**	**Strategy Committee**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meetings**
Executive Directors						
Mr. WANG Xuning	4/4	2/2	N/A	2/2	N/A	1/1
Ms. HAN Run	4/4	N/A	N/A	N/A	3/3	1/1
Ms. HUANG Shuling	4/4	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mr. HUI Chi Kin Max	4/4	2/2	N/A	N/A	N/A	1/1
Mr. Stassi Anastas ANASTASSOV	3/4	2/2	N/A	N/A	N/A	0/1
Mr. SUN Zhe[1]	3/3	1/1	N/A	N/A	N/A	1/1
Mr. MAO Wei[2]	1/1	1/1	N/A	N/A	N/A	0/1
Independent Non-executive Directors						
Mr. Yuan DING[3]	2/2	1/1	1/1	1/1	N/A	N/A
Mr. Timothy Roberts WARNER	4/4	2/2	3/3	N/A	3/3	1/1
Mr. YANG Xianxiang	4/4	2/2	3/3	2/2	3/3	1/1
Dr. WONG Tin Yau Kelvin[4]	2/2	2/2	2/2	1/1	N/A	1/1

Notes:

(1) Mr. SUN Zhe was appointed as a non-executive Director and a member of the Strategy Committee on April 29, 2022.

(2) Mr. MAO Wei retired from a non-executive Director and a member of Strategy Committee on April 29, 2022.

(3) Mr. Yuan DING was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and the Strategy Committee on August 29, 2022.

(4) Dr. WONG Tin Yau Kelvin resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and of the Strategy Committee on August 29, 2022.

The Chairman and the independent non-executive Directors met in December 2022 without the presence of any other executive Directors and the management.

Notices of regular Board meetings are served to all of the Directors at least 14 days before the meetings. For other Board and Board committees meetings, reasonable notices were generally given. Meeting papers together with all relevant information are sent to the Directors at least three days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board committee members for information and records within a reasonable time after the date of the meeting. Directors who have conflicts of interest in a resolution are required to abstain from voting.

BOARD COMMITTEES

The Company has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The four committees are authorized by the Board to deal with specific matters according to their owned terms of reference.

Strategy Committee

The Strategy Committee of the Company consists of seven members, currently including one executive Director, namely Mr. WANG Xuning (Chairman), three non-executive Directors, namely Mr. HUI Chi Kin Max, Mr. Stassi Anastas ANASTASSOV and Mr. SUN Zhe, and three independent non-executive Directors, namely Mr. Yuan DING, Mr. Timothy Roberts WARNER and Mr. YANG Xianxiang. On April 29, 2022, Mr. SUN Zhe was appointed as a member of the Strategy Committee and Mr. MAO Wei retired from a member of the Strategy Committee. On August 29, 2022, Mr. Yuan DING was appointed as a member of Strategy Committee and Dr. WONG Tin Yau Kelvin resigned as a member of Strategy Committee. The primary duties of the Strategy Committee are as follows:

- researching and making recommendations to the Board on the long-term development strategies and plans of the Company;
- researching and making recommendations to the Board on the major financing plans of the Company and other major strategic issues influencing the development of the Company; and
- reviewing the implementation of the above matters.

Two Strategy Committee meetings were held during the Reporting Period to deeply discuss the Company's strategic initiatives and long-term strategy.

Audit Committee

The Audit Committee of the Company consists of three members, currently including three independent non-executive Directors, namely Mr. Yuan DING, Mr. Timothy Roberts WARNER and Mr. YANG Xianxiang. On August 29, 2022, Mr. Yuan DING was appointed as Chairman of Audit Committee and Dr. WONG Tin Yau Kelvin resigned as Chairman of Audit Committee. The primary duties of the Audit Committee are as follows:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- monitoring integrity of the Company's financial statements, annual reports and accounts, interim reports;
- reviewing the Company's financial controls, risk management and internal control systems;
- discussing the risk management and internal control systems with the senior management to ensure that the senior management has performed their duties to establish effective systems, and reviewing the effectiveness, adequacy and appropriateness of those systems annually;
- conducting research on major investigation findings on risk management and internal control matters and the senior management's response to these findings; and
- reviewing the Company's financial and accounting policies and practices.

Three Audit Committee meetings were held during the Reporting Period to, amongst other things, review the audit plan, the annual and interim financial results and report, major internal audit issues, re-appointment of external auditors, and the effectiveness of the risk management and internal control systems of the Group.

The Audit Committee has reviewed the remuneration of the auditor for the year ended December 31, 2022 and has recommended the Board to re-appoint Ernst & Young as the auditor of the Company for the year ending December 31, 2023, subject to approval by the Shareholders at the Annual General Meeting.

Nomination Committee

The Nomination Committee of the Company consists of three members, including one executive Director, namely Mr. WANG Xuning (Chairman), and two independent non-executive Directors, namely Mr. Yuan DING and Mr. YANG Xianxiang. On August 29, 2022, Mr. Yuan DING was appointed as a member of Nomination Committee and Dr. WONG Tin Yau Kelvin resigned as a member of Nomination Committee. The primary duties of the Nomination Committee are as follows:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board in line with the Company's corporate strategy;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession plans for Directors;
- identifying individuals suitably qualified to become Board members and selecting and nominating the relevant individuals to serve as Directors or making recommendations to the Board on the selection and nomination of individuals for directorship; and

- making recommendations to the Board concerning, amongst other things, formulating succession plans for Directors, assessing the independence of independent non-executive Directors, membership of the Company's audit and remuneration committees (in consultation with the chairpersons of committees); the re-appointment of any non-executive Director at the conclusion of the specific term of office, having given due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

In evaluating and selecting any candidate for directorship, the Nomination Committee and the Board shall consider the following criteria, including, among other things, diversity, independence, experience, qualifications, skills, knowledge and any potential contributions the candidate can bring to the Board together with the willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information and other relevant details of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Under the Board Diversity Policy, selection of director candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

Two Nomination Committee meetings were held during the Reporting Period to review the Board Diversity Policy, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, consider nominations for newly appointed directors and make recommendation to the Board on the re-election of the retiring Directors.

Remuneration Committee

The Remuneration Committee of the Company consists of one executive Director, namely Ms. HAN Run, and two independent non-executive Directors, namely Mr. Timothy Roberts WARNER (Chairman) and Mr. YANG Xianxiang. The primary duties of the Remuneration Committee are as follows:

- making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and on the establishment of formal and transparent procedures for developing remuneration policy;
- being responsible for either (i) determining, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- making recommendations to the Board on the remuneration of non-executive Directors;
- reviewing and approving the senior management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

Three Remuneration Committee meetings were held during the Reporting Period to consider the remuneration policy and structure, incentives and remuneration plan of Directors and senior management, and material RSU related matters including adjustment on performance target 2022 of RSUs vesting.

Pursuant to the code provision E.1.5 of the CG Code, the following table sets forth the remuneration of the members of senior management categorized by remuneration group for the year ended December 31, 2022:

Remuneration	Number of Individuals
HK$13,000,001 to HK$14,000,000 (equivalent to US$1,674,001 to US$1,803,000	1
HK$23,000,001 to HK$24,000,000 (equivalent to US$2,964,001 to US$3,093,000	2
HK$46,000,001 to HK$47,000,000 (equivalent to US$5,931,001 to US$6,060,000	1
HK$47,000,001 to HK$48,000,000 (equivalent to US$6,060,001 to US$6,189,000	1
HK$362,000,001 to HK$363,000,000 (equivalent to US$46,695,001 to US$46,824,000	1
	6

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in notes 9 and 10 to the financial statements.

The emoluments of each Directors are reviewed by the Remuneration Committee and determined by the Board, having regard to the Group's operating results, individual performance and prevailing market condition. No Director or any of his or her associates was involved in deciding his or her own remuneration.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of Directors, which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

To maintain good corporate governance, the Company has introduced mechanisms to ensure that independent views and input are available to the Board. In assessing whether a potential candidate is qualified to be an independent non-executive Director or considering whether an independent non-executive director should be proposed for reelection, the Nomination Committee and the Board will assess and evaluate whether the candidate or independent non-executive Director is able to bring independent views to the Board. Meanwhile, the Company ensures the channels where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice to assist their performance of duties at the Company's expense. The implementation and effectiveness of these mechanisms have been reviewed in due course annually.

The Board has adopted a dividend policy, and has reviewed and monitored the training and continuous professional development of directors of the Company and reviewed the Company's compliance with the CG Code, the Model Code and the disclosure requirements in the Corporate Governance Report during the Reporting Period.

DIVERSITY

On October 9, 2019, the Board accepted the recommendation from Nomination Committee, and adopted Board Diversity Policy. The Policy sets out measurable objectives for the selection of board members based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

The Company considers the Board possesses a good gender diversity with two women on the Board (representing two out of three executive Directors). It also believes the Board members have diversified cultural background (including Chinese, Chinese (Hong Kong), USA, Singaporean, Swedish and French) and language skills, as well as a broad range of educational background (including degrees in engineering, economics, business administration, English literature and history) and working experience in different countries and regions. The Directors also have a balanced mix of knowledge and skills, such as overall management and strategic development, sales and marketing, administration, fund management, corporate finance and financial management. The Board has three independent non-executive Directors with different industry backgrounds.

The Company is always committed to building an equal, inclusive, harmonious career platform for employees. As of December 31, 2022, the number of female employees accounted for approximately 38% of the total number of employees (including senior management). For further details, please refer to the 2022 Environmental, Social and Governance Report of the Company.

COMPANY SECRETARY

Mr. Shan Minqi has been the company secretary of the Company since June 25, 2019. He has served as the director of investment department of Joyoung since March 2017, primarily responsible for domestic and foreign investment. Prior to joining the Group, he served as an assistant vice president in DBS Bank in Hong Kong and Singapore from April 2014 to March 2017 and as a staff accountant and senior accountant in Ernst & Young in Hong Kong from September 2008 to September 2011. Mr. Shan has been a member of the Hong Kong Institute of Certified Public Accountants since November 2011.

Mr. Shan received a Bachelor of Business Administration in accounting and finance from the University of Hong Kong in November 2008 and a Master of Business Administration from the Hong Kong University of Science and Technology in May 2013.

Mr. Shan confirmed that he took no less than 15 hours of relevant professional training during the year ended December 31, 2022 pursuant to Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor in respect of audit and audit related services and non-audit services for the year ended December 31, 2022 are analyzed below. The non-audit services mainly include professional services on tax filing and advisory services. The Audit Committee is satisfied that the non-audit services in 2022 did not affect the independence of the auditor.

Type of services provided by the external auditor	Fees paid/payable US$'000
Audit and audit related services*	4,193
Non-audit services	
— Tax related services	855
— Others	200
Total	5,248

* Included an amount of US$2.4 million related to the significant strategic restructuring.

REAPPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has established a robust process for the reappointment of auditors, which includes challenging and assessing the effectiveness of handling key audit issues by the auditors. The Audit Committee considered that Ernst & Young, who has served the Company as external auditors since the listing of the Company, has demonstrated their strong commitment to audit quality, integrity, objectivity and independence. The Audit Committee is also satisfied with Ernst & Young's knowledge in the industry, technical competence and its expertise in handling technical matters efficiently and effectively. In addition, the Audit Committee has considered all relationships (including provision of non-audit services) between the Company and Ernst & Young when assessing auditors' independence and objectivity. The engagement partner on the audit remains unchanged throughout the tenure and will be subject to five consecutive years cooling off period after seven cumulative service years in accordance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. Based on the robust evaluation that has been taken place to date, the Audit Committee recommended the reappointment of Ernst & Young (who has indicated its willingness to continue in office) as the Company's external auditors for the year 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems on an going basis and review their effectiveness consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as quality control, financial reporting, information system, internal control, human resources and information system risk management. The Board also conducted annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Based on the findings and recommendations as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Internal Audit

The Company's internal audit department ("**Internal Audit**") reports directly to the Audit Committee. Internal Audit is responsible for performing regular and systematic reviews of the risk management and internal control systems. The reviews provide reasonable assurance that the risk management and internal control systems continue to operate satisfactorily and effectively within the Group and the Company. Where specialist skills are required, Internal Audit engages an outside professional firm to assist them in their reviews. The attainment of such objectives involves the following activities being carried out by Internal Audit:

- reviewing and appraising the soundness, adequacy and application of operational, financial, compliance and other controls and promoting effective internal control in the Group and the Company;
- ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- ascertaining the extent to which the Group's and the Company's assets are accounted for, managed, and safeguarded from losses of all kinds;
- appraising the reliability and usefulness of information for reporting to management; and
- recommending improvements to the existing systems of risk management and internal control.

Quality Control and Product Safety Internal Control

We are committed to maintaining the highest level of quality in our products and we therefore implement quality control measures throughout our operational flow. Our quality control team formulates our quality control policy and ensures our compliance with all applicable regulations, standards and internal policies at all times. Our quality control process generally comprises:

(i) research and development quality control;

(ii) quality control of component and raw material suppliers and OEM suppliers; and

(iii) market feedback quality control.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies. Our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

The statement of the external auditor of the Company about its reporting responsibilities for the Consolidated Financial Statements is set out in the "Independent Auditor's Report". There was no change in the auditor of the Company in the preceding three financial years.

Legal Risk Management

In accordance with our procedures, our in-house legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have detailed internal procedures in place to ensure that our in-house quality and legal departments review our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our in-house quality and legal departments are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

For IP-related issues, we have an in-house legal team and an IP team supported by devoted and specialized outside IP legal advisors, to assist us in registering, applying and reviewing the relevant patent and trademark rights of our IPs.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Human Resources Risk Management

We set out systematic internal rules and guidelines for our employees, including best commercial practice, work ethics and a prevention mechanism to avoid fraud, negligence and corruption. We provide employees with regular training and resources to keep them abreast of the guidelines contained in the employee handbook. We formulate the recruitment plan for the upcoming year based on current turnover rate and our future business plan, and we constantly improve our recruitment process with the aid of information technology. We also have a rigorous background check process for our incoming employees.

In addition, we provide regular and specialized trainings tailored to the needs of our employees in different departments. Through such training, we ensure that our employees' skill sets remain up-to-date.

We also have in place an Anti-Corruption Policy to safeguard against corruption within our Company. We have an internal reporting channel that is open and available for our employees to report any suspected corrupt acts. Our employees can also make anonymous reports to our internal anti-corruption department. We have a team that is responsible for investigating the reported incidents and taking appropriate measures.

Information System Risk Management

Sufficient maintenance, storage and protection of consumer data and our business data are critical to our success. We have implemented relevant internal procedures and controls to ensure that such data is protected and that leakage and loss of such data is avoided. During the Reporting Period, we did not experience any material information leakage or loss of consumer or business data.

Information Disclosure

The Company has strict internal controls on the treatment and release of inside information in accordance with relevant requirements of the Listing Rules and the SFO and prohibits any unauthorized use or release of confidential or inside information. The Directors and senior management of the Company have adopted reasonable measures to ensure proper precautionary measures are in place to prevent the Company from violating relevant disclosure requirements.

Audit Committee and Overall Responsibilities of the Board

The Company is committed to establishing high level risk management and internal control systems to safeguard the Company's interests and shareholders' investment. The Company has established robust, comprehensive and technology driven risk management to effectively manage and mitigate risks inherent in the business to protect the Company, its clients and partners, as well as to meet regulatory obligations. The Board assumes the ultimate responsibility for the Company's risk management, internal control and compliance.

We have established the Audit Committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the Audit Committee to ensure that major issues identified thus are channeled to the Audit committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board if necessary.

The Board is responsible for the risk management and internal control systems of the Group and for reviewing their effectiveness. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has conducted an annual review of the risk management and internal control system of the Group for the year ended December 31, 2022 and was of the opinion that the financial reporting, risk management and internal control system of the Group was adequate and effective.

INVESTOR RELATIONS

General Meetings and Shareholders' Rights

The Company shall hold an annual general meeting each year.

The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to table resolutions at a general meeting. However, these rights may be provided in the Memorandum and Articles of Association (please refer to the aforesaid procedures for shareholders to requisition a general meeting). The Memorandum and Articles of Association do not provide our Shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such Shareholders.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions. The Chairman ensures that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole.

To promote effective communication, the Company always stay on an ongoing dialogue with Shareholders and other investors through the various communication channels set out in the Shareholder's Communication Policy, including but not limited to publishing up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsgloballife.com). The Shareholders and investor engagement and communication activities conducted in the Reporting Period received lots of positive feedbacks. The Board reviewed the Shareholder's Communication Policy, and satisfied with its implementation and effectiveness.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the Shareholders. The chairman of the Board as well as chairpersons of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available normally at the annual general meetings and other relevant general meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

Shareholders should direct their enquiries about their shareholdings to the company secretary of the Company or Tricor Investor Services Limited ("**Tricor**"), the Company's branch share registrar in Hong Kong. The contact details of Tricor are set forth below:

- Address: 17/F, Far East Finance Centre,16 Harcourt Road, Hong Kong
- Telephone: (852) 2980 1333
- Facsimile: (852) 2861 1465

The contact details for Shareholders' enquiries with the Company and for putting forward requisitions are set forth below:

- Mailing address: 21/F, 238 Des Voeux Road Central, Sheung Wan, Hong Kong
- Telephone number: (852) 2310 8035
- E-mail address: ir@jsgloballife.com

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

There was no changes in constitutional documents of the Company during the Reporting Period.

Independent Auditor's Report

Ernst & Young
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Quarry Bay, Hong Kong

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To the shareholders of JS Global Lifestyle Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of JS Global Lifestyle Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 75 to 198, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group's revenue for the year ended December 31, 2022 amounted to US$5,041 million. There is a risk that revenue may be overstated because of fraud. Revenue as a key performance indicator of how the Group measures its performance creates financial incentives and pressures that entice management to falsify accounting records. Some contracts for the sale of products provide customers with rights of return and sales rebates. The rights of return and sales rebates give rise to variable consideration. Consideration payable to a customer also includes credit that can be applied against amounts owed to the Group. The Group accounts for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct goods or service. Judgments required by management to estimate variable consideration and consideration payable to a customer are complex due to the diverse range of contractual agreements and commercial practice across the Group's markets. The Group's disclosures about revenue recognition are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgments and estimates* and note 5 *Revenue* to the financial statements.	Our audit procedures included, but not limited to, the following: We reviewed the key terms of major contracts with customers and assessed the accounting policy applied by the Group; We performed walkthroughs to obtain an understanding of the design of the revenue cycle for all significant streams and tested controls in the revenue recognition; We performed confirmation procedures to confirm revenue and balances of trade receivables for certain customers; We evaluated management's assumptions of estimating variable consideration and payments to customers not for a distinct goods or service by analyzing contract terms, historical information and commercial practice; We performed substantive analytical reviews to understand how the revenue has trended over the year and detailed testing on transactions during the year by tracing to agreements, invoices and shipment records; We tested revenue transactions close to the year end to verify whether they were recorded in the correct periods; We tested the journal entries related to revenue recognition focusing on unusual or irregular transactions; and We evaluated the adequacy of related disclosures in the financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and intangible assets with indefinite useful lives	
Goodwill and trademarks recorded in other intangible assets with indefinite lives acquired through business combinations are allocated to the relevant cash-generating unit ("**CGU**") for impairment testing. As at December 31, 2022, the carrying amounts of goodwill and trademarks were US$849 million and US$384 million, respectively, with no provision for impairment. The recoverable amount of the relevant CGU is determined based on a value in use calculation using cash flow projections based on financial budgets and corroborated by the market approach. The assumptions and methodologies used by the Group, in particular, those assumptions relating to the budgeted gross margin, the growth rates and the discount rate significantly affect the determination of the recoverable amount of the relevant CGU to which goodwill and trademarks are allocated. The Group's disclosures about impairment testing of goodwill and intangible assets with indefinite useful lives are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgments and estimates*, note 18 *Goodwill* and note 19 *Other intangible assets* to the financial statements.	Our audit procedures included, but not limited, to the following: We assessed the historical accuracy of the prior year's assumptions and estimates made by management; We compared the cash flow forecasts to the approved budgets, obtained an understanding of the current and expected future developments of the CGU and assessed factors that might affect key assumptions on cash flow projections and discount rates; We evaluated the objectivity, independence, capabilities and competence of the external valuers engaged by the Group; We involved our internal valuation specialists to assist us in evaluating methodologies used and certain key assumptions and estimates made by management and/or the external valuers, including, inter alia, the specific discount rate and long-term growth rate of the CGU for the assessment of value in use, with reference to relevant historical and market information; We evaluated management's assessment about reasonable possible changes in the relevant key assumptions and estimates; and We evaluated the adequacy of related disclosures in the financial statements.

Independent Auditor's Report

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Melody Lam Siu Wah.

Ernst & Young
Certified Public Accountants
Hong Kong
March 31, 2023

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	Notes	2022 US$'000	2021 US$'000
REVENUE	5	**5,041,210**	5,150,593
Cost of sales		**(3,161,024)**	(3,226,210)
Gross profit		**1,880,186**	1,924,383
Other income and gains	6	**36,907**	41,308
Selling and distribution expenses		**(790,395)**	(808,793)
Administrative expenses		**(609,911)**	(537,607)
Impairment losses on financial assets		**(9,547)**	(7,500)
Other expenses		**(8,274)**	(9,779)
Finance costs	8	**(47,428)**	(27,890)
Share of profits and losses of associates	20	**5,167**	713
PROFIT BEFORE TAX	7	**456,705**	574,835
Income tax expense	11	**(99,202)**	(114,133)
PROFIT FOR THE YEAR		**357,503**	460,702
Attributable to:			
Owners of the parent		**332,274**	420,499
Non-controlling interests		**25,229**	40,203
		357,503	460,702
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
— Basic		**US$9.7 cents**	US$12.4 cents
— Diluted		**US$9.6 cents**	US$12.3 cents

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 US$'000	2021 US$'000
PROFIT FOR THE YEAR	**357,503**	460,702
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(75,120)**	16,071
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(75,120)**	16,071
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Financial assets designated at fair value through other comprehensive income:		
Changes in fair value	**(1,908)**	1,370
Income tax effect	**467**	(88)
	(1,441)	1,282
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(1,441)**	1,282
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(76,561)**	17,353
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**280,942**	478,055
Attributable to:		
Owners of the parent	**273,412**	432,358
Non-controlling interests	**7,530**	45,697
	280,942	478,055

Consolidated Statement of Financial Position

As of December 31, 2022

	Notes	2022 US$'000	2021 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**218,972**	205,840
Investment properties	15	**16,756**	19,997
Prepaid land lease payments	16	**14,533**	16,170
Right-of-use assets	17	**72,752**	78,641
Goodwill	18	**848,619**	849,296
Other intangible assets	19	**609,239**	588,369
Investments in associates	20	**30,080**	27,330
Financial assets at fair value through profit or loss	21	**76,158**	81,197
Financial assets designated at fair value through other comprehensive income	21	**42,495**	44,728
Deferred tax assets	33	**103,433**	77,073
Other non-current assets	22	**20,649**	41,095
Total non-current assets		**2,053,686**	2,029,736
CURRENT ASSETS			
Inventories	23	**646,270**	782,280
Trade and bills receivables	24	**1,198,025**	1,245,748
Prepayments, other receivables and other assets	25	**158,853**	84,964
Financial assets at fair value through profit or loss	21	**17,286**	82,068
Derivative Financial Instruments	30	**22,657**	—
Pledged deposits	26	**34,901**	28,558
Cash and cash equivalents	26	**504,137**	555,457
Total current assets		**2,582,129**	2,779,075
CURRENT LIABILITIES			
Trade and bills payables	27	**687,506**	879,078
Other payables and accruals	28	**663,275**	618,441
Other financial liabilities	29	**87,148**	—
Derivative financial instruments	30	**—**	66
Interest-bearing bank borrowings	31	**135,275**	85,272
Lease liabilities	17	**16,986**	19,167
Tax payable		**4,838**	21,373
Total current liabilities		**1,595,028**	1,623,397

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Consolidated Statement of Financial Position

As of December 31, 2022

	Notes	2022 US$'000	2021 US$'000
NET CURRENT ASSETS		**987,101**	1,155,678
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,040,787**	3,185,414
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**721,781**	856,874
Lease liabilities	17	**67,466**	68,174
Deferred tax liabilities	33	**160,656**	151,661
Other non-current liabilities	34	**26,235**	19,810
Total non-current liabilities		**976,138**	1,096,519
Net assets		**2,064,649**	2,088,895
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**34**	34
Treasury shares		**(32,614)**	(2,956)
Share premium		**1,064,487**	1,064,487
Capital reserve		**(60,719)**	(27,266)
Reserves	37	**928,504**	825,798
		1,899,692	1,860,097
Non-controlling interests		**164,957**	228,798
Total equity		**2,064,649**	2,088,895

Wang Xuning
Director

Han Run
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the parent											
	Issued capital US$'000 (note 35)	Treasury shares US$'000	Share premium US$'000	Capital reserve US$'000	Statutory reserve US$'000 (note 37)	Share award reserve US$'000	Fair value reserve US$'000	Foreign currency translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2022	34	(2,956)	1,064,487	(27,266)	54,475	39,809	2,610	31,447	697,457	1,860,097	228,798	2,088,895
Profit for the year	–	–	–	–	–	–	–	–	332,274	332,274	25,229	357,503
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(57,890)	–	(57,890)	(17,230)	(75,120)
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(972)	–	–	(972)	(469)	(1,441)
Total comprehensive income for the year	–	–	–	–	–	–	(972)	(57,890)	332,274	273,412	7,530	280,942
Equity-settled share award scheme	–	–	–	–	–	8,636	–	–	–	8,636	774	9,410
Settlement of share award scheme(a)	–	–	–	–	–	(27,121)	–	–	27,121	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(56,018)	(56,018)
Final dividend declared for 2021	–	–	–	–	–	–	–	–	(179,342)	(179,342)	–	(179,342)
Repurchase of shares for share award scheme (b)	–	(29,658)	–	–	–	–	–	–	–	(29,658)	–	(29,658)
Repurchase of a subsidiary's shares for share award scheme (c)	–	–	–	(33,453)	–	–	–	–	–	(33,453)	(16,127)	(49,580)
At December 31, 2022	34	(32,614)	1,064,487	(60,719)	54,475*	21,324*	1,638*	(26,443)*	877,510*	1,899,692	164,957	2,064,649

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the parent											
	Issued capital US$'000 (note 35)	Treasury shares US$'000	Share premium US$'000	Capital reserve US$'000	Statutory reserve US$'000 (note 37)	Share award reserve US$'000	Fair value reserve US$'000	Foreign currency translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2021	34	–	1,062,659	69,538	54,475	47,359	1,751	20,447	355,515	1,611,778	308,589	1,920,367
Profit for the year	–	–	–	–	–	–	–	–	420,499	420,499	40,203	460,702
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	11,000	–	11,000	5,071	16,071
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	859	–	–	859	423	1,282
Total comprehensive income for the year	–	–	–	–	–	–	859	11,000	420,499	432,358	45,697	478,055
Acquisition of non-controlling interests (d)	–	–	–	(97,002)	–	–	–	–	–	(97,002)	(85,654)	(182,656)
Equity-settled share award scheme	–	–	–	182	–	29,805	–	–	–	29,987	(580)	29,407
Cancelation shares of a subsidiary	–	–	–	16	–	–	–	–	–	16	8	24
Settlement of share award scheme	–	–	–	–	–	(37,355)	–	–	37,355	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(39,262)	(39,262)
Final dividend declared for 2020	–	–	–	–	–	–	–	–	(115,912)	(115,912)	–	(115,912)
Issue of restricted shares under share award scheme	–	–	1,828	–	–	–	–	–	–	1,828	–	1,828
Repurchase of shares for share award scheme	–	(2,956)	–	–	–	–	–	–	–	(2,956)	–	(2,956)
At December 31, 2021	34	(2,956)	1,064,487	(27,266)	54,475*	39,809*	2,610*	31,447*	697,457*	1,860,097	228,798	2,088,895

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

Notes:

* The reserve accounts comprise the consolidated reserves of US$928,504,000 (2021: US$825,798,000) in the consolidated statement of financial position.

(a) The share award reserve was transferred to retained profits upon vesting of shares.

(b) During the year ended December 31, 2022, the Company repurchased 23,662,000 shares on the Stock Exchange at an aggregate consideration of approximately US$29,658,000.

(c) During the year ended December 31, 2022, a subsidiary repurchased 20,000,000 of its own shares from the market at an aggregate consideration of approximately US$49,580,000.

(d) On April 6, 2021, JS Global Trading HK Limited ("**JS Global Trading**"), a subsidiary of the Company, acquired 16.25% interest in Shanghai Lihong Enterprises Management Co., Ltd. ("**Shanghai Lihong**") from shareholders of non-controlling interest with consideration amounting to US$178,981,000. Shanghai Lihong became a wholly-owned subsidiary of the Group.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 US$'000	2021 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**456,705**	574,835
Adjustments for:			
Finance costs	8	**47,428**	27,890
Share of profits and losses of associates	20	**(5,167)**	(713)
Interest income	6	**(7,644)**	(8,084)
(Gain)/loss on disposal of items of property, plant and equipment	7	**2,298**	(39)
Loss on disposal of right-of-use assets	7	**30**	—
Gain on disposal of associates, net	6	**—**	(1,097)
Gain on financial assets at fair value through profit or loss, net	6	**(5,209)**	(9,844)
Depreciation of property, plant and equipment	7	**71,758**	65,517
Depreciation of investment properties	7	**1,765**	2,448
Depreciation of right-of-use assets	7	**22,193**	21,431
Amortization of prepaid land lease payments	7	**418**	425
Amortization of other intangible assets	7	**31,914**	26,953
Impairment of inventories	7	**12,381**	11,366
Impairment of trade receivables, net	7	**8,761**	7,458
Impairment of financial assets included in prepayments, other receivables and other assets	7	**786**	42
Equity-settled share award expense		**12,250**	28,369
Exchange (gains)/losses	7	**(2,782)**	6,324
Decrease/(increase) in inventories		**123,629**	(218,156)
Increase in trade and bills receivables		**(48,186)**	(49,674)
(Increase)/decrease in prepayments, other receivables and other assets		**(52,005)**	14,094
Recognition of right-of-use assets		**(16,668)**	(31,263)
Recognition of lease liabilities		**16,668**	31,263
Increase/(decrease) in other non-current assets/liabilities		**26,095**	(14,832)
Decrease in trade and bills payables		**(191,541)**	(6,125)
Increase/(decrease) in other payables and accruals		**122,755**	(24,288)

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Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 US$'000	2021 US$'000
Cash generated from operations		**628,632**	454,300
Interest received		**7,644**	8,084
Income tax paid		**(135,350)**	(132,868)
Net cash flows from operating activities		**500,926**	329,516
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(95,585)**	(64,488)
Additions to other intangible assets	19	**(54,470)**	(50,698)
Purchases of investments in financial assets designated at fair value through other comprehensive income		**—**	(3,258)
Disposal of investments in associates		**—**	1,789
Purchases of financial assets at fair value through profit or loss		**(23,318)**	(240,882)
Dividends/interest received from financial assets at fair value through profit or loss		**2,097**	557
Proceeds from disposal of financial assets at fair value through profit or loss		**64,161**	374,658
Proceeds from disposal of property, plant and equipment, prepaid land lease payments and intangible assets other than goodwill		**56**	149
Proceeds from disposal of investment properties		**—**	21,132
Acquisition of a subsidiary		**—**	(1,800)
Acquisition of non-controlling interests		**—**	(182,656)
(Increase)/decrease in pledged deposits		**(6,343)**	4,549
Net cash flows used in investing activities		**(113,402)**	(140,948)

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Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 US$'000	2021 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	17	**(22,168)**	(23,709)
Cancelation shares of a subsidiary's shares		**—**	(2)
New bank loans		**260,000**	159,101
Bills endorsed		**4,285**	15,653
Repayment of bank loans		**(348,846)**	(160,000)
Repayment of bills payable		**(4,316)**	(15,796)
Advance to related parties		**(7,602)**	(2,099)
Settlement of advance to related parties		**—**	1,932
Dividends paid		**(235,360)**	(155,174)
Interest paid		**(28,204)**	(20,492)
Issue of restricted shares under share award scheme		**—**	1,828
Repurchase of shares under share award scheme		**(78,050)**	(2,956)
Proceeds from other finance activity		**304,203**	—
Repayment of other finance activity		**(217,055)**	—
Net cash flows used in financing activities		**(373,113)**	(201,714)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**14,411**	(13,146)
Cash and cash equivalents at beginning of year		**555,457**	570,810
Effect of foreign exchange rate changes, net		**(65,731)**	(2,207)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**504,137**	555,457
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**464,991**	504,713
Non-pledged time deposit with original maturity of less than three months when acquired	26	**39,146**	50,744
		504,137	555,457

Notes to Financial Statements

December 31, 2022

1. Corporate and group information

JS Global Lifestyle Company Limited (JS 环球生活有限公司, the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

- design, marketing, manufacture, export, import and distribution of a full range of floor-care products, hard-surface steam cleaning products and small kitchen appliances under the brands of "Shark" and "Ninja"; and
- design, manufacture, marketing, export and distribution of small kitchen electrical appliances under the brand of "Joyoung".

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is JS Holding Limited Partnership ("**JS Holding**"), which is incorporated in the Cayman Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
JS (BVI) Holding Limited ("**JS (BVI)**")	British Virgin Islands	HK$1	100	—	Investment holding
Bilting Development Limited ("**Bilting**")	British Virgin Islands	US$50,000	100	—	Investment holding
Easy Appliance Limited	British Virgin Islands	US$50,000	100	—	Investment holding
Easy Appliance Hong Kong Limited	Hong Kong	HK$1	—	100	Investment holding
JS Global Trading HK Limited ("**JS Global Trading**")	Hong Kong	HK$1	—	100	Investment holding
Shanghai Lihong Enterprises Management Co., Ltd.* ("上海力鴻企業管理有限公司") ("**Shanghai Lihong**")	PRC/Mainland China	RMB321.4 million	—	100	Enterprise management, retailing of home appliances and import and export
Hangzhou Yihao Enterprises Management Co., Ltd. ("杭州頤豪企業管理有限公司") ("**Hangzhou Yihao**")	PRC/Mainland China	—	—	100	Enterprise management, retailing of home appliances and import and export

Notes to Financial Statements

December 31, 2022

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SharkNinja Operating LLC	United States	—	—	100	Research and development, sale of home appliances
SharkNinja Management LLC	United States	—	—	100	Employment and administrative services
SharkNinja Sales Company	United States	—	—	100	Retailing of home appliances
SharkNinja (Hong Kong) Company Limited	Hong Kong	HK$1	—	100	Procurement, import and export and equity investment
SharkNinja Venus Technology Company Limited	Hong Kong	HK$1	—	100	Investment holding
Shenzhen SharkNinja Technology Co., Ltd.* ("深圳尚科寧家科技有限公司")	PRC/Mainland China	RMB13.5 million	—	100	Manufacture and sale of home appliances, marketing, supply chain management and consultancy
Suzhou SharkNinja Technology Co., Ltd.* ("蘇州尚科寧家科技有限公司")	PRC/Mainland China	US$1 million	—	100	Manufacture, supply chain management and consultancy
SharkNinja UK Ltd.	United Kingdom	—	—	100	Investment holding
SharkNinja EPE Ltd.	United Kingdom	—	—	100	Investment holding
Global Appliance UK HoldCo Limited	United Kingdom	GBP109	—	100	Investment holding
SharkNinja Global SPV, Limited ("**SharkNinja Global**")	Cayman Islands	US$50,000	51	49	Investment holding
SharkNinja Global SPV2 Limited	Cayman Islands	US$50,000	—	100	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Global Appliance LLC	United States	US$0.1	—	100	Investment holding
EP Midco LLC	United States	—	—	100	Investment holding
Euro-Pro International Holding Company	United States	—	—	100	Investment holding
SharkNinja Europe Ltd	United Kingdom	GBP100	—	100	Sale of home appliances
SharkNinja Co., Ltd.	Japan	JPY1 million	—	100	Sale of home appliances
UK Euro-Pro Limited	United Kingdom	GBP100	—	100	Research and development services
Euro-Pro Hong Kong Limited	Hong Kong	HK$10,000	—	100	Investment holding and provision of consulting services
Zheng Hong Development Company Limited ("**Zheng Hong**")	Hong Kong	EUR41 million	—	100	Investment holding
Joyoung Co., Ltd.** ("九陽股份有限公司")	PRC/Mainland China	RMB767.02 million	—	67	Manufacture and sale of home appliances, advertising and consultancy
Hangzhou Joyoung Household Electric Appliances Limited* ("杭州九陽小家電有限公司")	PRC/Mainland China	RMB976.3 million	—	67	Research and development, manufacture and sale of home appliances and import and export
Hangzhou Joyoung Life Electric Co., Limited* ("杭州九陽生活電器有限公司")	PRC/Mainland China	RMB3 million	—	67	Manufacture and sale of home appliance
Hangzhou Joyoung Water Purification System Co., Limited* ("杭州九陽淨水系統有限公司")	PRC/Mainland China	RMB81 million	—	61	Research and development, manufacture and sale of water purification equipment and import and export

Notes to Financial Statements

December 31, 2022

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Joyoung Electronic Technology Co., Limited* ("杭州九陽電子信息技術有限公司")	PRC/Mainland China	RMB50 million	—	67	Development of IT, e-commerce, manufacture, wholesale and retailing of home appliances
Joyoung Holdings (Hong Kong) Limited ("九陽股份（香港）有限公司")	Hong Kong	US$900,000	—	67	Manufacture and sale of home appliances, marketing, supply chain management, consultancy and import and export
Shandong Jiuchuang Household Electric Appliances Co., Limited* (Formerly known as Jinan Joyoung Wanjia Real Estate Co., Limited) ("山東九創家電有限公司") (前稱"濟南九陽萬家置業有限公司")	PRC/Mainland China	RMB5 million	—	67	Property management services, real estate development, conference and exhibition and consultancy
SharkNinja (China) Technology Co., Limited* ("尚科寧家（中國）科技有限公司")	PRC/Mainland China	RMB150 million	—	67	Sale, installation and maintenance of home appliances, e-commerce and import and export
Tonglu Joyoung Electronic Commerce Co., Limited* ("桐廬九陽電子商務有限公司")	PRC/Mainland China	RMB3 million	—	67	E-commerce manufacture and sale of home appliances
Qfeeltech (Beijing) Co., Limited* ("速感科技（北京）有限公司")	PRC/Mainland China	RMB2.27 million	—	84	Research and development of robotics technology, computer software and hardware technology development
SharkNinja Canada Co.	Canada	—	—	100	Employment and administrative services
SharkNinja France	France	EUR 15,000	—	100	Sale of home appliances
SharkNinja Germany GmBH	Germany	EUR 25,000	—	100	Sale of home appliances

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
SharkNinja Italy S.R.L	Italy	EUR 10,000	—	100	Sale of home appliances
SharkNinja Australia PTY Limited	Australia	US$1	—	100	Sale of home appliances
Hangzhou Jiuchuang Household Electric Appliances Co., Ltd * ("杭州九創家電有限公司")	PRC/Mainland China	RMB48 million	—	67	Manufacture and sale of home appliances
Lishui Jiuchuang Household Electric Appliances Co., Ltd* ("麗水九創家電有限公司")	PRC/Mainland China	RMB5 million	—	67	Manufacture and sale of home appliances
Zhuhai Hengqin Jiujiu Time Equity Investment Fund Partnership (L.P.) ("珠海橫琴玖玖時光股權投資基金合夥企業（有限合夥）")	PRC/Mainland China	RMB100.01 million	—	66	Equity investment

* Registered as limited liability companies under PRC law.

** Joyoung Co., Ltd. is a company registered in the PRC on July 8, 2002 and its A Shares have been listed on the Shenzhen Stock Exchange since May 28, 2008 under the stock code 002242. As at December 31, 2022, the Company indirectly held approximately 67% equity interest of Joyoung Co., Ltd through Shanghai Lihong and Bilting. Therefore, the Company was considered as having control over Joyoung Co., Ltd as at December 31, 2022.

Notes to Financial Statements

December 31, 2022

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"), which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations issued and approved by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial liabilities associated with the put option which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

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

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

(a) The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

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

2.2 Changes in accounting policies and disclosures (continued)

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

(d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

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

2.3 Issued but not yet effective international financial reporting standards

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

IFRS 17	*Insurance Contracts*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after January 1, 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

(a) In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re–insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

(b) In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non–current. The amendments clarify:

- What is meant by a right to defer settlement

- That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right

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2.3 Issued but not yet effective international financial reporting standards (continued)

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(c) In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

(d) In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

(e) In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

2.4 Summary of significant accounting policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss and financial assets designated at fair value through other comprehensive income at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.6% to 4.5%
Leasehold improvements	Over the shorter of the lease terms and estimated useful life
Furniture and fixtures	7.5% to 50.0%
Machinery	6.0% to 33.3%
Motor vehicles	11.3% to 23.8%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the Group's buildings, leasehold improvements, furniture and fixtures and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life of 20 to 40 years.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its carrying amount at the date of change in use and vice versa. No gain or loss is recognized in profit or loss during the change in use of the property.

2.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic lives of 2.5 to 12.5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

The cost of trademarks acquired in the business combination is the fair value at the date of acquisition. The Group intends to continuously renew the trademarks and such renewal is expected to be at little costs. Thus, the useful lives of these trademarks are considered to be indefinite as it is expected to contribute to net cash inflow of the Group indefinitely. Considering their indefinite useful lives, the trademarks are not amortized and individually tested for impairment annually. The useful life of trademark is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Patents are stated at cost less any impairment losses and are amortized on the straight-line basis over their remaining legal lives of 2.5 to 12.5 years since being purchased.

The patents included a wide range of portfolio of patents which covers and protects the design and utility for the technology that were applied in the SharkNinja Global and its subsidiaries (the "**SharkNinja Global**")'s products. Each patent can contribute to several products and can be used for several generations of products. The Group's technology is considered one of the successful factors to the business and operation. Based on the historical lives of the Group's products and technology, the technology content growth is slow and existing technology will be gradually developed and replaced by new technology. Management expected most of the estimated economic benefit would be realized in 10 years even though the remaining legal terms of individual registered patents are 15 years. The patents are subsequently amortized on the straight-line basis of 10 years, which is the shorter of the legal terms and the estimated useful life.

2.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill) (continued)

Retailer relationships

The Euro-Pro Group sells goods to most of the major retailers in the US and Canada. This retailer base has been very stable for many years. The retailer relationships can ensure that the Company has shelf space at these retailers. The Company expects that most of the estimated economic benefit will be realized in 9 years based on yearly attrition in revenue generated from these existing relationships. The retailer relationships acquired in business combinations are subsequently amortized on the straight-line basis over their estimated useful lives of 9 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Certain consulting, prototype, legal and other expenditures incurred on projects to develop new core components of new product categories are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized on the straight-line basis from the date when they are available for use over their estimated useful lives of 10 years with reference to the historical life cycle of core components of a similar kind which can be utilized in several generations of products.

Technology

The cost of technology acquired in the business combination is the fair value at the date of acquisition. Technology is subsequently amortized on the straight-line basis over its estimated useful life of 12 years.

Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of 3 to 10 years.

2.4 Summary of significant accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on the straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 12 years
Motor vehicles	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on the straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessor (continued)

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as financial assets designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Financial assets designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (Continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, interest-bearing bank borrowings and lease liabilities.

2.4 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. 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. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

2.4 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

2.4 Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including current deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 Summary of significant accounting policies (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Some contracts for the sale of products provide customers with rights of return and sales rebate. The Group provides extended warranties which are accounted for as service-type warranties. The rights of return and sales rebates give rise to variable consideration. Consideration payable to a customer also includes credit that can be applied against amounts owed to the Group. The Group accounts for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service.

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Variable consideration

(a) Rights of return

For contracts which provide a customer with a right to return the goods, either the expected value method or the most likely amount method is used to estimate the goods for different contracts that will not be returned. The selected method best predicts the amount of variable consideration to which the Group will be entitled for different contracts and customers. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(b) Sales rebates

Various types of sales rebates may be provided to different customers. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used because this method best predicts the amount of variable consideration in the contract, given the large number of customer contracts that have similar characteristics. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

(ii) Consideration payable to a customer

The Group accounts for consideration payable to a customer as a reduction of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. If the consideration payable to a customer includes a variable amount, the Group estimates the transaction price, including assessing whether the estimate of variable consideration is constrained. To estimate the variable consideration, the most likely amount method is used, as this method best predicts the amount of variable consideration, given the large number of customer contracts that have similar characteristics.

(iii) Extended warranties

The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties. However, in certain contracts, the Group provides extended warranties. Such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Group recognizes contract liabilities for the unfulfilled extended warranties by allocating a portion of the transaction price based on the relative stand-alone selling price. Revenue is subsequently recognized over time based on the time elapsed.

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2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognized on a time proportion basis over the lease terms.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

2.4 Summary of significant accounting policies (continued)

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

Some subsidiaries of the Company operate share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market condition or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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2.4 Summary of significant accounting policies (continued)

Share-based payments (continued)

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding restricted shares is reflected as additional share dilution in the computation of earnings per share.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

PRC contribution plan

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organized by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to profit or loss as incurred.

Defined contribution plan

Some subsidiaries of the Group maintain a defined contribution retirement plan under Section 401(k) of the United States Internal Revenue Code. The plan covers all United States full-time employees of the Group. An eligible employee may elect to make a before-tax contribution of 100% of his other compensation through payroll deductions with a dollar limit of US$19,500 and US$19,000 for the years ended December 31, 2021 and 2022, respectively. The Group matches the first 3% of participant contributions at 100% and the next 2% of contributions at 50%, for a maximum matching percentage of 4%.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 Summary of significant accounting policies (continued)

Other employee benefits (continued)

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Notes to Financial Statements

December 31, 2022

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount of revenue from contracts with customers:

Certain contracts for the sale of products include a right of return and sales rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that using a combination of the most likely amount method and the expected value method is appropriate in estimating the variable consideration for the sale of products with rights of return. The selected method best predicts the amount of variable consideration to which the Group will be entitled for different contracts and customers. In estimating the variable consideration for the sale of products with sales rebates and consideration payable to a customer, the Group determined that using the most likely amount method is appropriate.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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December 31, 2022

3. Significant accounting judgments and estimates (continued)

Judgments (continued)

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for returns and sales rebates and consideration payable to a customer

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return, sales rebates and consideration payable to a customer.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected sales rebates are analyzed on a per customer basis for contracts that are subject to different percentages of gross purchase by product categories. Determining whether a customer will likely be entitled to a sales rebate depends on the customer's historical rebate entitlement, accumulated purchases to date and the negotiated terms of the sales rebate programs.

The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group's expected consideration payable to customers is analyzed on a per-customer basis. Determining whether a customer will likely be entitled to the payment and whether the payment will be for a distinct good or service from the customer depends on the customer's historical entitlement and the negotiated terms of different promotion programs.

3. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Variable consideration for returns, sales rebates and consideration payable to a customer (continued)

The Group updates its assessment of expected returns, sales rebates and consideration payable to the customers monthly and the refund liabilities are adjusted accordingly. Estimates of expected returns, sales rebates and consideration payable to the customers are sensitive to changes in circumstances and the Group's past experience regarding returns, sales rebates and consideration payable to the customers entitlement may not be representative of customers' actual returns, sales rebates and consideration payable to the customers entitlement in the future. The amount recognized as refund liabilities as at December 31, 2022 was US$285,882,000 (2021: US$266,364,000) for the expected returns, sales rebates and consideration payable to the customers.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at December 31, 2022 was US$848,619,000 (2021: US$849,296,000) and the carrying amount of intangible assets with indefinite useful lives as at December 31, 2022 was US$385,968,000 (2021: 385,968,000). Further details are given in notes 18 and 19 to the financial statements.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at December 31, 2022 was US$6,915,000 (2021: US$2,048,000). The amount of unrecognized tax losses at December 31, 2022 was US$90,190,000 (2021: US$74,914,000).

3. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Fair value of financial assets

Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimates is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Group classifies the fair value of these financial assets as Level 3. The fair value of the financial assets at December 31, 2022 was US$135,934,000 (2021: US$207,992,000). Further details are included in note 21 to the financial statements.

Equity-settled share award schemes

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the discounted cash flow method and guideline company method, which involve estimating performance conditions, service conditions and leaver rate as detailed in note 36 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

3. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At December 31, 2022, the best estimate of the carrying amount of capitalized development costs was US$77,325,000 (2021: US$58,024,000).

4. Operating segment information

For management purposes, the Group is organized into business units based on its operations and has two reportable operating segments which are SharkNinja and Joyoung:

(a) the SharkNinja segment is involved in the design, marketing, manufacture, export, import and distribution of a full range of floor care products, hard-surface steam cleaning products and small kitchen appliances; and

(b) the Joyoung segment is involved in the design, manufacture, marketing, export and distribution of small kitchen electrical appliances.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except the head office and corporate income and expenses which are excluded from such measurement. The head office and corporate income and expenses include exchange gains or losses, interest income, non-lease-related finance costs, and other unallocated corporate income and expenses.

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December 31, 2022

4. Operating segment information (continued)

Year ended December 31, 2022	Joyoung US$'000	SharkNinja US$'000	Total US$'000
Segment revenue			
Sales to external customers	1,325,306	3,715,904	5,041,210
Intersegment sales	173,667	1,462	175,129
	1,498,973	3,717,366	5,216,339
Reconciliation:			
Elimination of intersegment sales			(175,129)
Revenue (note 5)			5,041,210
Segment results	88,275	410,864	499,139
Reconciliation:			
Interest income			198
Exchange gain			10,792
Unallocated income			1,933
Finance costs			(39,065)
Corporate and other unallocated expenses			(16,292)
Profit before tax			456,705
Other segment information			
Share of profits and losses of associates	5,167	—	5,167
Impairment of inventories and financial assets recognized in profit or loss	4,237	17,691	21,928
Depreciation and amortization	17,480	110,568	128,048
Interest income	6,065	1,381	7,446
Finance costs	637	7,726	8,363
Investments in associates	30,080	—	30,080
Capital expenditure*	17,761	147,502	165,263

4. Operating segment information (continued)

Year ended December 31, 2021	Joyoung US$'000	SharkNinja US$'000	Total US$'000
Segment revenue			
Sales to external customers	1,435,745	3,714,848	5,150,593
Intersegment sales	183,275	12,143	195,418
	1,619,020	3,726,991	5,346,011
Reconciliation:			
Elimination of intersegment sales			(195,418)
Revenue (note 5)			5,150,593
Segment results	124,214	507,151	631,365
Reconciliation:			
Interest income			2,465
Exchange losses			(668)
Unallocated income			556
Finance costs			(24,281)
Corporate and other unallocated expenses			(34,602)
Profit before tax			574,835
Other segment information			
Share of profits and losses of associates	713	—	713
Impairment/(reversal of impairment) of inventories and financial assets recognized in profit or loss	(197)	19,063	18,866
Depreciation and amortization	19,022	97,752	116,774
Interest income	5,437	182	5,619
Finance costs	516	3,093	3,609
Investments in associates	27,330	—	27,330
Capital expenditure*	24,689	122,970	147,659

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, right-of-use assets and other intangible assets, including assets from the acquisition of a subsidiary.

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4. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2022 US$'000	2021 US$'000
North America	**2,928,050**	2,964,033
Mainland China	**1,307,225**	1,398,210
Europe	**632,313**	616,765
Other countries/regions	**173,622**	171,585
	5,041,210	5,150,593

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 US$'000	2021 US$'000
North America	**750,760**	717,080
Mainland China	**160,544**	177,838
Europe	**16,601**	7,611
Other countries/regions	**4,347**	6,488
	932,252	909,017

The non-current assets information above is based on the locations of the assets and included property, plant and equipment, investment properties, prepaid land lease payments, right-of-use assets, and intangible assets other than goodwill.

Information about major customers

Revenue from the major customers accounting for more than 10% of total revenue of the Group for the years ended December 31, 2022 and 2021 is listed below:

	2022 %	2021 %
Customer A	**11.2**	11.6
Customer B	**10.0**	11.1

All revenue derived from other single external customers was less than 10% of the Group's total revenue for the years ended December 31, 2022 and 2021.

5. Revenue

An analysis of revenue is as follows:

	2022 US$'000	2021 US$'000
Revenue from contracts with customers		
Sale of goods and provision of extended warranties	**5,041,210**	5,150,593

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 US$'000	2021 US$'000
Geographical markets		
North America	**2,928,050**	2,964,033
Mainland China	**1,307,225**	1,398,210
Europe	**632,313**	616,765
Other countries/regions	**173,622**	171,585
Total revenue from contracts with customers	**5,041,210**	5,150,593

	2022 US$'000	2021 US$'000
Timing of revenue recognition		
Goods transferred at a point in time	**5,039,613**	5,148,735
Services transferred over time	**1,597**	1,858
Total revenue from contracts with customers	**5,041,210**	5,150,593

Notes to Financial Statements

December 31, 2022

5. Revenue (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 US$'000	2021 US$'000
Sale of goods and provision of extended warranties	**28,060**	81,394

(b) Performance obligations

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

Sale of home appliances

The performance obligation is satisfied upon delivery of the home appliances and payment is generally due within 30 to 60 days upon delivery. Some contracts provide customers with a right of return, sales rebates and extended warranties which give rise to variable consideration subject to constraint.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

	2022 US$'000	2021 US$'000
Amounts expected to be recognized as revenue:		
Within one year	**24,331**	28,060
More than one year	**2,651**	2,575
	26,982	30,635

6. Other income and gains

	2022 US$'000	2021 US$'000
Other income		
Bank interest income	**7,644**	8,084
Net rental income from investment property operating leases	**2,815**	1,382
Government grants	**15,359**	13,172
Others	**2,918**	3,305
	28,736	25,943
Gains		
Gain on disposal of items of property, plant and equipment	**—**	39
Gain on financial assets at fair value through profit or loss, net	**5,209**	9,844
Gain on disposal of associates, net	**—**	1,097
Foreign exchange differences, net	**2,782**	—
Others	**180**	4,385
	8,171	15,365
	36,907	41,308

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7. Profit before tax

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

	Notes	2022 US$'000	2021 US$'000
Cost of inventories sold		**3,161,024**	3,226,210
Depreciation of property, plant and equipment	14	**71,758**	65,517
Depreciation of investment properties	15	**1,765**	2,448
Depreciation of right-of-use assets	17	**22,193**	21,431
Amortization of prepaid land lease payments	16	**418**	425
Amortization of other intangible assets (excluding capitalized development costs)*	19	**24,934**	21,911
Research and development costs:			
Amortization of capitalized development costs	19	**6,980**	5,042
Current year expenditure		**224,436**	214,418
		231,416	219,460
Lease payments not included in the measurement of lease liabilities		**6,880**	11,703
Auditor's remuneration		**1,793**	1,905
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**424,985**	347,577
Equity-settled share award expense		**8,607**	21,495
Pension scheme contributions**		**11,851**	10,848
		445,443	379,920
Foreign exchange differences, net		**(2,782)**	6,324
Impairment of inventories	23	**12,381**	11,366
Impairment of financial assets, net:			
Impairment of trade receivables, net	24	**8,761**	7,458
Impairment of financial assets included in prepayments, other receivables and other assets		**786**	42
		9,547	7,500

7. Profit before tax (continued)

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

	Notes	2022 US$'000	2021 US$'000
Product warranty provision:			
Additional provision		**25,299**	20,171
(Gain)/loss on disposal of items of property, plant and equipment		**2,298**	(39)
Gain on financial assets at fair value through profit or loss, net		**(5,209)**	(9,844)
Gain on disposal of associates, net		**—**	(1,097)
Loss on disposal of right-of-use assets		**30**	—
Government grants***		**(15,359)**	(13,172)

Notes:

* The amortization of patents, retailer relationship and software for the year is included in "Administrative expenses" and "Selling and distribution expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** Various government grants have been received for setting up research activities and alleviating unemployment in Mainland China. Government grants received for which related expenditure has not yet been undertaken are recognized as deferred income and included in other non current liabilities in the statement of financial position.

8. Finance costs

An analysis of finance costs is as follows:

	2022 US$'000	2021 US$'000
Interest on bank loans	**35,080**	20,038
Interest on lease liabilities	**3,850**	3,452
Amortization of deferred finance costs	**3,756**	3,629
Other finance costs	**4,742**	771
	47,428	27,890

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9. Directors' and chief executive's remuneration

Mr. WANG Xuning was appointed as an executive director of the Company in July 2018 and the chief executive officer of the Company in June 2019. Ms. HAN Run and Ms. HUANG Shuling were appointed as executive directors of the Company in June 2019. Mr. HUI Chi Kin Max and Mr. Stassi Anastas ANASTASSOV were appointed as non-executive directors of the Company in June 2019. Mr. Timothy Roberts WARNER and Mr. YANG Xianxiang were appointed as independent non-executive directors of the Company in October 2019. Mr. SUN Zhe was appointed as an non-executive director of the Company in April 2022. Mr. Yuan DING was appointed as an independent non-executive director of the Company in August 2022.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022	2021
	US$'000	US$'000
Fees	**202**	169
Salaries, allowances and benefits in kind	**2,764**	2,826
Performance-related bonuses*	**3,120**	4,276
Pension scheme contributions	**21**	10
Share award expenses**	**3,644**	6,874
	9,751	14,155

Notes:

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the Group's net profit plus a percentage of the Group's revenue.

** During the year, certain directors were granted share awards, in respect of their services to the Group, under the share award schemes of the Group, further details of which are set out in note 36 to the financial statements. The fair value of such awards, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

9. Directors' and chief executive's remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 US$'000	2021 US$'000
Dr. WONG Tin Yau Kelvin*	**33**	52
Mr. Yuan DING**	**26**	—
Mr. Timothy Roberts WARNER	**38**	39
Mr. YANG Xianxiang	**38**	39
	135	130

* Dr. WONG Tin Yau Kelvin resigned on August 29, 2022

** Mr. Yuan DING was appointed on August 29, 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

(b) Executive directors and non-executive directors

2022

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance-related bonuses US$'000	Pension scheme contributions US$'000	Share award expenses US$'000	Total US$'000
Executive directors						
Mr. WANG Xuning	—	1,916	1,277	2	2,915	6,110
Ms. HAN Run	—	655	1,589	17	729	2,990
Ms. HUANG Shuling	—	193	254	2	—	449
	—	2,764	3,120	21	3,644	9,549
Non-executive directors:						
Mr. HUI Chi Kin Max	—	—	—	—	—	—
Mr. MAO Wei	—	—	—	—	—	—
Mr. Stassi Anastas ANASTASSOV	38	—	—	—	—	38
Mr. SUN Zhe	29	—	—	—	—	29
	67	—	—	—	—	67
	67	2,764	3,120	21	3,644	9,616

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9. Directors' and chief executive's remuneration (continued)

(b) Executive directors and non-executive directors (continued)

2021

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance-related bonuses US$'000	Pension scheme contributions US$'000	Share award expenses US$'000	Total US$'000
Executive directors						
Mr. WANG Xuning	—	1,930	1,287	2	5,499	8,718
Ms. HAN Run	—	705	2,781	8	1,375	4,869
Ms. HUANG Shuling	—	191	208	—	—	399
	—	2,826	4,276	10	6,874	13,986
Non-executive directors						
Mr. HUI Chi Kin Max	—	—	—	—	—	—
Mr. MAO Wei*	—	—	—	—	—	—
Mr. Stassi Anastas ANASTASSOV	39	—	—	—	—	39
	39	—	—	—	—	39
	39	2,826	4,276	10	6,874	14,025

* Mr. MAO Wei resigned on April 29, 2022

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. Five highest paid employees

The five highest paid employees during the year included two (2021: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year for the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 US$'000	2021 US$'000
Salaries, allowances and benefits in kind	**2,963**	2,914
Performance-related bonuses*	**48,093**	5,613
Pension scheme contributions	**30**	29
Share award expenses	**4,624**	16,639
	55,710	25,195

* In order to retain talent for the continual operation and development, the Group grants $34 million cash bonus to an employee.

No remuneration was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of any office in connection with the management of the affairs of any member of the Group distinguishing between contractual payments and other payments (excluding the amounts as disclosed in the table above). The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$13,000,001 to HK$14,000,000 (equivalent to US$1,674,001 to US$1,803,000)	**—**	1
HK$23,000,001 to HK$24,000,000 (equivalent to US$2,964,001 to US$3,093,000)	**1**	—
HK$24,000,001 to HK$25,000,000 (equivalent to US$3,093,001 to US$3,222,000)	**—**	1
HK46,000,001 to HK$47,000,000 (equivalent to US$5,931,001 to US$6,060,000)	**1**	—
HK$157,000,001 to HK$158,000,000 (equivalent to US$20,250,001 to US$20,379,000)	**—**	1
HK$ 362,000,001 to HK$363,000,000 (equivalent to US$46,695,001 to US$46,824,000)	**1**	—
	3	3

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10. Five highest paid employees (continued)

Share awards were granted to the above non-director and non-chief executive highest paid employee in respect of their services to the Group. The fair value of such share awards, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. Income tax

	2022 US$'000	2021 US$'000
Current income tax charge/(credit):		
In Mainland China	**17,335**	12,853
In the United States	**76,900**	88,489
In Hong Kong	**13,074**	17,769
In the United Kingdom	**2,387**	4,550
Elsewhere	**996**	2,184
Deferred income tax (note 33):		
In Mainland China	**696**	2,681
In the United States	**(16,959)**	(7,145)
In the United Kingdom	**4,773**	(7,248)
Total tax charge for the year	**99,202**	114,133

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2021: 25%) on their respective taxable income. During the year, four (2021: five) of the Group's entities obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates.

11. Income tax (continued)

The US income tax includes (a) federal income tax calculated at a fixed rate of 21% (2021: 21%) for the year ended December 31, 2022 on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates on the estimated state taxable income for the respective states.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

The United Kingdom income tax is calculated at a rate of 19% (2021: 19%) on the estimated taxable income.

The Group realized tax benefits during the year through applying the preferential corporate income tax rates and the corporate income tax exemptions. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

11. Income tax (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

2022

	Mainland China US$'000	%	The United States US$'000	%	Hong Kong US$'000	%	The United Kingdom US$'000	%	Others US$'000	%	Total US$'000	%
Profit/(loss) before tax	95,828		267,599		106,472		18,136		(31,330)		456,705	
Tax at the statutory tax rates	23,957	25.0	56,196	21.0	17,568	16.5	3,446	19.0	1,078	(3.4)	102,245	22.4
(Lower)/higher tax charges for specific provinces or enacted by local authority	(6,541)	(6.8)	7,063	2.6	—	—	—	—	(113)	0.4	409	0.1
Effect of withholding tax on the distributable profits of Group's subsidiaries	4,685	4.9	—	—	—	—	3,091	17.0	—	—	7,776	1.7
Effect on opening deferred tax of decrease in tax rates	—	—	—	—	—	—	(1,785)	(9.8)	—	—	(1,785)	(0.4)
Adjustments in respect of current tax of prior years	776	0.8	(1,630)	(0.6)	(731)	(0.7)	816	4.5	31	(0.1)	(738)	(0.2)
Expenses not deductible for tax	1,226	1.3	—	—	—	—	—	—	—	—	1,226	0.3
Income not subject to tax	—	—	(1,319)	(0.5)	(3,781)	(3.6)	—	—	—	—	(5,100)	(1.1)
Profits and losses attributable to associates	(1,263)	(1.3)	—	—	—	—	—	—	—	—	(1,263)	(0.3)
Super deduction on research and development costs	(8,745)	(9.1)	(6,436)	(2.4)	—	—	—	—	—	—	(15,181)	(3.3)
Temporary difference and tax losses not recognized	3,936	4.1	6,067	2.3	18	—	1,592	8.8	—	—	11,613	2.5
Tax charge/(credit) at the Group's effective tax rate	18,031	18.9	59,941	22.4	13,074	12.2	7,160	39.5	996	(3.1)	99,202	21.7

11. Income tax (continued)

2021

	Mainland China US$'000	%	The United States US$'000	%	Hong Kong US$'000	%	The United Kingdom US$'000	%	Others US$'000	%	Total US$'000	%
Profit/(loss) before tax	121,891		391,377		96,415		(15,976)		(18,872)		574,835	
Tax at the statutory tax rates	30,413	25.0	82,189	21.0	15,995	16.5	(3,035)	19.0	640	(3.4)	126,202	22.0
(Lower)/higher tax charges for specific provinces or enacted by local authority	(11,364)	(9.3)	10,908	2.8	–	–	–	–	277	(1.5)	(179)	–
Effect of withholding tax on the distributable profits of Group's PRC subsidiaries	2,308	1.9	–	–	–	–	–	–	–	–	2,308	0.4
Effect on opening deferred tax of decrease in tax rates	(1,566)	(1.3)	–	–	–	–	1,489	(9.3)	–	–	(77)	–
Adjustments in respect of current tax of prior years	380	0.3	(772)	(0.2)	405	0.4	–	–	1,050	(5.6)	1,063	0.2
Expenses not deductible for tax	368	0.3	–	–	620	0.7	–	–	217	(1.1)	1,205	0.2
Income not subject to tax	(115)	(0.1)	(6,305)	(1.6)	–	–	(489)	3.1	–	–	(6,909)	(1.2)
Profits and losses attributable to associates	(278)	(0.2)	–	–	–	–	–	–	–	–	(278)	(0.1)
Super deduction on research and development costs	(8,357)	(6.9)	(4,676)	(1.2)	–	–	(663)	4.1	–	–	(13,696)	(2.4)
Tax losses not recognized	3,745	3.1	–	–	749	0.8	–	–	–	–	4,494	0.8
Tax charge/(credit) at the Group's effective tax rate	15,534	12.8	81,344	20.8	17,769	18.4	(2,698)	16.9	2,184	(11.6)	114,133	19.9

The share of tax credit attributable to associates amounting to US$ 1,263,000 (2021: US$278,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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12. Dividends

	2022 US$'000	2021 US$'000
Proposed final dividend — nil (2021: HK$0.4098 (equivalent to US$0.0527) per ordinary share	—	184,254

The board does not recommend the payment of any final dividend for the year as the Company is processing the significant strategic restructuring.

13. 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 3,418,257,000 (2021: 3,402,181,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect arising from the share award scheme of Joyoung Co., Ltd., a subsidiary of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

13. Earnings per share attributable to ordinary equity holders of the parent (continued)

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

	2022 US$'000	2021 US$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**332,274**	420,499

	Number of shares 2022 '000	Number of shares 2021 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,418,257**	3,402,181
Effect of dilution — weighted average number of ordinary shares:		
Share award scheme	**29,206**	18,696
	3,447,463	3,420,877

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14. Property, plant and equipment

	Buildings US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Machinery US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
December 31, 2022							
At January 1, 2022:							
Cost	122,683	26,293	157,264	202,584	4,585	21,761	535,170
Accumulated depreciation	(43,622)	(16,265)	(110,584)	(154,993)	(3,866)	—	(329,330)
Net carrying amount	79,061	10,028	46,680	47,591	719	21,761	205,840
At January 1, 2022, net of accumulated depreciation	79,061	10,028	46,680	47,591	719	21,761	205,840
Additions	—	2,934	32,149	4,859	—	54,183	94,125
Transfer from construction in progress	14,758	5,562	3,898	35,350	—	(59,568)	—
Disposals	—	(412)	(869)	(1,063)	(10)	—	(2,354)
Depreciation provided during the year	(5,066)	(4,114)	(33,713)	(28,550)	(315)	—	(71,758)
Exchange realignment	(5,880)	286	908	(603)	(46)	(1,546)	(6,881)
At December 31, 2022, net of accumulated depreciation	82,873	14,284	49,053	57,584	348	14,830	218,972
At December 31, 2022:							
Cost	128,110	33,818	187,526	239,271	4,037	14,830	607,592
Accumulated depreciation	(45,237)	(19,534)	(138,473)	(181,687)	(3,689)	—	(388,620)
Net carrying amount	82,873	14,284	49,053	57,584	348	14,830	218,972

14. Property, plant and equipment (continued)

	Buildings US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Machinery US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
December 31, 2021							
At January 1, 2021:							
Cost	125,513	24,732	126,591	183,641	4,316	7,466	472,259
Accumulated depreciation	(37,541)	(12,168)	(81,662)	(128,850)	(3,606)	—	(263,827)
Net carrying amount	87,972	12,564	44,929	54,791	710	7,466	208,432
At January 1, 2021, net of accumulated depreciation	87,972	12,564	44,929	54,791	710	7,466	208,432
Additions	21	705	30,243	2,717	487	31,879	66,052
Transfer from construction in progress	—	792	851	15,982	—	(17,625)	—
Disposals	—	—	(36)	(19)	(55)	—	(110)
Transfer to investment properties	(5,210)	—	—	—	—	—	(5,210)
Depreciation provided during the year	(5,700)	(3,769)	(29,790)	(25,821)	(437)	—	(65,517)
Exchange realignment	1,978	(264)	483	(59)	14	41	2,193
At December 31, 2021, net of accumulated depreciation	79,061	10,028	46,680	47,591	719	21,761	205,840
At December 31, 2021:							
Cost	122,683	26,293	157,264	202,584	4,585	21,761	535,170
Accumulated depreciation	(43,622)	(16,265)	(110,584)	(154,993)	(3,866)	—	(329,330)
Net carrying amount	79,061	10,028	46,680	47,591	719	21,761	205,840

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15. Investment properties

	2022 US$'000	2021 US$'000
At the beginning of the year		
Cost	**40,810**	34,140
Accumulated depreciation	**(20,813)**	(17,909)
Net carrying amount	**19,997**	16,231
Net carrying amount at the beginning of the year	**19,997**	16,231
Depreciation provided during the year	**(1,765)**	(2,448)
Transferred from property, plant and equipment	**—**	5,210
Exchange realignment	**(1,476)**	1,004
Net carrying amount at the end of the year	**16,756**	19,997

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

The fair value of investment properties as at December 31, 2022 was US$60 million (2021: US$64 million).

16. Prepaid land lease payments

	2022 US$'000	2021 US$'000
Carrying amount at the beginning of the year	**16,600**	16,632
Recognized in profit or loss during the year	**(418)**	(425)
Exchange realignment	**(1,252)**	393
Carrying amount at the end of the year	**14,930**	16,600
Current portion included in prepayments, other receivables and other assets	**(397)**	(430)
Non-current portion of carrying amount at the end of the year	**14,533**	16,170

17. Leases

The Group as a lessee

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 2 and 12 years. Motor vehicles generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

For prepaid land lease payments, please refer to note 16 to the financial statements.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings US$'000	Motor vehicles US$'000	Total US$'000
As at January 1, 2021	68,375	298	68,673
Additions	31,263	—	31,263
Depreciation provided during the year	(21,180)	(251)	(21,431)
Exchange realignment	150	(14)	136
As at December 31, 2021 and January 1, 2022	78,608	33	78,641
Additions	16,668	—	16,668
Depreciation provided during the year	(22,160)	(33)	(22,193)
Disposal	(139)	—	(139)
Exchange realignment	(225)	—	(225)
As at December 31, 2022	72,752	—	72,752

17. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2022 US$'000	2021 US$'000
Carrying amount at January 1	**87,341**	76,191
New leases	**16,668**	31,263
Interest expense during the year	**3,850**	3,452
Payment during the year	**(22,168)**	(23,709)
Disposal	**(109)**	—
Exchange realignment	**(1,130)**	144
Carrying amount at December 31	**84,452**	87,341
Analyzed into:		
Within one year	**16,986**	19,167
In the second year	**15,377**	16,719
In the third to fifth years, inclusive	**27,163**	26,017
Beyond five years	**24,926**	25,438
At the end of the year	**84,452**	87,341

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

17. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The amounts recognized in profit or loss in relation to leases are as follows:

	2022 US$'000	2021 US$'000
Interest on lease liabilities	**3,850**	3,452
Depreciation charge of right-of-use assets	**22,193**	21,431
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**6,859**	11,677
Expense relating to leases of low-value assets (included in selling and distribution expenses and administrative expenses)	**21**	26
Total amount recognized in profit or loss	**32,923**	36,586

The Group as a lessor

The Group leases its investment properties (note 15) consisting of four commercial properties and three industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Gross rental income recognized by the Group during the year was US$3,169,000 (2021: US$2,688,000).

At December 31, 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 US$'000	2021 US$'000
Within one year	**2,105**	3,223
After one year but within two years	**1,576**	2,251
After two years but within three years	**135**	1,508
After three years but within four years	**38**	41
	3,854	7,023

18. Goodwill

	2022 US$'000	2021 US$'000
Goodwill at January 1	**849,296**	848,238
Acquisition of a subsidiary	**—**	830
Exchange realignment	**(677)**	228
Less: Provision for impairment	**—**	—
Goodwill at December 31	**848,619**	849,296

Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill and trademarks recorded in other intangible assets with indefinite lives acquired through business combinations are allocated to the cash-generating unit ("**CGU**") of SharkNinja Global and its subsidiaries (collectively referred to as the "**SharkNinja Global**") for impairment testing.

The Group performed its annual impairment test as at December 31, 2022. The recoverable amount of the SharkNinja Global CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management at December 31, 2022, and corroborated by the market approach. The discount rate applied to the cash flow projections is 12% (2021: 16%). The growth rate used to extrapolate the cash flows beyond the five-year period is 2.5% (2021: 2.5%).

Assumptions were used in the value in use calculation of the SharkNinja Global CGU at December 31, 2022. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth — The bases used to determine the future earnings potential are historical sales and average expected growth rates of the markets in North America, Europe, Asia and other markets.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, adjusted for expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Expenses — The value assigned to the key assumptions reflects past experience and management's commitment to maintain the SharkNinja Global CGU's operating expenses to an acceptable level.

18. Goodwill (continued)

Impairment testing of goodwill and intangible assets with indefinite lives (continued)

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment test on the SharkNinja Global CGU, the estimated recoverable amount of the SharkNinja Global CGU exceeded its carrying amount by US$1,772 million (2021: US$3,549 million) as at December 31, 2022.

Sensitivity to changes in assumptions

The Company has performed the sensitivity analysis on key assumptions used in the impairment testing. Had the estimated key assumptions been changed as follows, the headroom would have increased/(decreased) by:

	2022 US$'000	2021 US$'000
Five-year period growth rate increased by 5%	**174,652**	212,593
Five-year period growth rate decreased by 5%	**(170,817)**	(207,190)
Discount rate decreased by 5%	**312,866**	395,424
Discount rate increased by 5%	**(274,595)**	(349,814)

With regard to the assessment of the value in use of the SharkNinja Global CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the CGU to exceed its recoverable amount.

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19. Other intangible assets

	Trademarks* US$'000	Patents US$'000	Retailer relationship US$'000	Development costs — available for use US$'000	Development costs — not available for use US$'000	Technology US$'000	Software US$'000	Others** US$'000	Total US$'000
December 31, 2022									
At January 1, 2022									
Cost	384,044	49,068	143,083	59,661	8,671	21,997	27,092	1,924	695,540
Accumulated amortization	—	(23,859)	(66,967)	(10,308)	—	(3,124)	(2,913)	—	(107,171)
Net carrying amount	384,044	25,209	76,116	49,353	8,671	18,873	24,179	1,924	588,369
Cost at January 1, 2022, net of accumulated amortization	384,044	25,209	76,116	49,353	8,671	18,873	24,179	1,924	588,369
Additions	—	7,425	—	—	26,281	—	20,764	—	54,470
Transfers	—	—	—	15,168	(15,168)	—	—	—	—
Amortization provided during the year	—	(4,198)	(15,898)	(6,980)	—	(1,740)	(3,098)	—	(31,914)
Exchange realignment	—	(2)	—	—	—	(1,420)	(264)	—	(1,686)
At December 31, 2022	384,044	28,434	60,218	57,541	19,784	15,713	41,581	1,924	609,239
At December 31, 2022									
Cost	384,044	56,491	143,083	74,829	19,784	20,284	47,555	1,924	747,994
Accumulated amortization	—	(28,057)	(82,865)	(17,288)	—	(4,571)	(5,974)	—	(138,755)
Net carrying amount	384,044	28,434	60,218	57,541	19,784	15,713	41,581	1,924	609,239

19. Other intangible assets (continued)

	Trademarks* US$'000	Patents US$'000	Retailer relationship US$'000	Development costs — available for use US$'000	Development costs — not available for use US$'000	Technology US$'000	Software US$'000	Others** US$'000	Total US$'000
December 31, 2021									
At January 1, 2021:									
Cost	384,044	43,999	143,083	40,060	5,185	21,420	4,806	—	642,597
Accumulated amortization	—	(20,169)	(51,069)	(5,266)	—	(1,339)	(2,307)	—	(80,150)
Net carrying amount	384,044	23,830	92,014	34,794	5,185	20,081	2,499	—	562,447
Cost at January 1, 2021, net of accumulated amortization	384,044	23,830	92,014	34,794	5,185	20,081	2,499	—	562,447
Acquisition of a subsidiary	—	—	—	1,570	—	—	—	—	1,570
Additions	—	5,069	—	—	21,517	—	22,188	1,924	50,698
Transfers	—	—	—	18,031	(18,031)	—	—	—	—
Amortization provided during the year	—	(3,690)	(15,898)	(5,042)	—	(1,763)	(560)	—	(26,953)
Disposal	—	—	—	—	—	—	(1)	—	(1)
Exchange realignment	—	—	—	—	—	555	53	—	608
At December 31, 2021	384,044	25,209	76,116	49,353	8,671	18,873	24,179	1,924	588,369
At December 31, 2021:									
Cost	384,044	49,068	143,083	59,661	8,671	21,997	27,092	1,924	695,540
Accumulated amortization	—	(23,859)	(66,967)	(10,308)	—	(3,124)	(2,913)	—	(107,171)
Net carrying amount	384,044	25,209	76,116	49,353	8,671	18,873	24,179	1,924	588,369

* Trademarks are not amortized due to indefinite useful lives and are allocated to the Group's SharkNinja Global CGU. Refer to note 18 for the impairment testing and sensitivity analysis of the trademarks with indefinite useful lives. No provision is made for the impairment of trademarks after being tested for impairment of the SharkNinja Global CGU as at the end of 2022.

** Certain intangible assets with indefinite useful lives amounting to US$1,924,000 are tested for impairment individually on an annual basis and are not amortized. The useful life is reviewed annually to determine whether it continues to be indefinite and supportable with regard to market fair value.

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19. Other intangible assets (continued)

Impairment testing of capitalized development costs not yet available for use

The Group performs individual impairment testing of capitalized development costs not yet available for use annually and whenever there is an impairment indicator.

The recoverable amount of the capitalized development costs not yet available for use has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management as at December 31, 2022. The discount rate applied to the cash flow projections is 17% (2021: 22.8%).

Assumptions were used in the value in use calculation of the capitalized development costs not yet available for use. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of the capitalized development costs not yet available for use:

Revenue growth — The bases used to determine the future earnings are projected future cash flows of product sales and expected growth rates of products with similar features and life cycles in the markets.

Budgeted gross margins — The basis to determine the value assigned to the budgeted gross margins is the historical margins based on similar products with similar features and life cycles adjusted for expected market conditions.

Discount rate — The discount rate used is before tax and reflects specific risks relating to assets.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment testing, the estimated recoverable amount of the capitalized development costs not yet available for use exceeded the carrying amount by US$76,970,000 as at December 31, 2022 (2021: US$91,481,000).

Sensitivity to changes in assumptions

The Company has performed the sensitivity analysis on key assumptions used in the impairment testing. Had the estimated key assumption — discount rate been increased by 0.5% from 17.0% to 17.5% (2021: 22.8% to 23.3%), the headroom would have decreased by US$1,052,000 (2021: US$1,132,000).

With regard to the assessment of the value in use of the capitalized development costs not yet available for use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the capitalized development costs not yet available for use to exceed its recoverable amount.

20. Investments in associates

	2022 US$'000	2021 US$'000
Share of net assets	**25,714**	22,604
Goodwill on acquisition	**4,366**	4,726
	30,080	27,330

The Group's trade receivable and payable balances with the associates are disclosed in notes 24 and 27, respectively.

The Group's shareholdings in the associates comprise equity shares held by subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of two associates because the share of losses of the associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The unrecognized share of losses of the associates was US$73,000 for the year ended December 31, 2022 (2021: US$43,000) and the cumulative unrecognized share of losses was US$127,000 as at December 31, 2022 (2021: US$54,000).

The following table illustrates the aggregate financial information of the Group's associates:

	2022 US$'000	2021 US$'000
Share of the associates' profits and losses for the year	**5,167**	713
Share of the associates' total comprehensive income	**5,167**	713
Aggregate carrying amount of the Group's investments in associates	**30,080**	27,330

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21. Financial assets at fair value through profit or loss/financial assets designated at fair value through other comprehensive income

The investments below were classified as financial assets at fair value:

	2022 US$'000	2021 US$'000
Financial assets, at fair value through profit or loss:		
Current — stock (a)	**5**	1
Current — financial products (a)	**17,281**	82,067
Non-current — unlisted equity investments (a)	**76,158**	81,197
	93,444	163,265
Unlisted financial assets, at fair value through other comprehensive income:		
Non-current — unlisted equity investments (b)	**42,495**	44,728
	135,939	207,993

Notes:

(a) The equity investments were classified as financial assets at fair value through profit or loss as they were held for trading and invested principally in investment funds in accordance with the entrusted agreements entered into between the parties involved.

The current investments in financial products were products issued by banks in Mainland China. The current investments in stocks as at December 31, 2022 were stocks listed on the Shenzhen Stock Exchange. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The investments were measured at fair value through profit or loss, with a corresponding loss on change in fair value of US$17,448,000 was debited to other income and gains in the consolidated statement of profit or loss (2021: gain of US$9,844,000).

(b) The equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. During the year, the fair value changes in these investments resulted in a gain, net of tax, amounting to US$1,441,000 (2021: gain of US$1,282,000), recorded in other comprehensive income.

22. Other non-current assets

	2022 US$'000	2021 US$'000
Long-term portion of insurance receivable	**7,590**	7,294
Rental deposits	**2,357**	2,653
Long-term prepayments for purchase of properties	**9,424**	10,200
Receivable from employees	**—**	16,716
Others	**1,278**	4,232
	20,649	41,095

23. Inventories

	2022 US$'000	2021 US$'000
Raw materials	**23,347**	35,797
Finished goods	**639,305**	753,839
Less: Impairment	**(16,382)**	(7,356)
	646,270	782,280

The movements in provision for impairment of inventories are as follows:

	2022 US$'000	2021 US$'000
At the beginning of the year	**7,356**	6,077
Impairment losses	**12,381**	11,366
Less: Amounts written off	**(3,233)**	(10,095)
Exchange realignment	**(122)**	8
At the end of the year	**16,382**	7,356

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24. Trade and bills receivables

	2022 US$'000	2021 US$'000
Bills receivable	**264,515**	347,605
Trade receivables	**945,339**	904,961
Less: Impairment	**(11,829)**	(6,818)
	1,198,025	1,245,748

Certain of the Group's trading terms with its customers are payments in advance while for other customers, credit is granted. The credit period is generally 30 days to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management.

Included in the Group's trade and bills receivables were amounts due from the Group's associates of US$7,013,000 (2021: US$11,293,000) as at December 31, 2022, which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022 US$'000	2021 US$'000
Within 6 months	**1,189,551**	1,226,556
6 months to 1 year	**7,072**	18,607
1 to 2 years	**1,402**	585
	1,198,025	1,245,748

24. Trade and bills receivables (continued)

The movements in provision for impairment of trade receivables are as follows:

	2022 US$'000	2021 US$'000
As at the beginning of the year	**6,818**	6,624
Impairment losses, net	**8,761**	7,458
Amount written off as uncollectible	**(3,750)**	(7,264)
As at the end of the year	**11,829**	6,818

As at December 31, 2022 and 2021, the trade receivables were denominated in US$ and RMB, and the fair values of trade receivables approximated to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix or assessed individually to measure expected credit losses. As at December 31, 2022, the amount of individually assessed provision was US$6,998,000 (2021: US$2,314,000). The provision rates used in the provision matrix are based on the days from the billing date for customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

At December 31, 2022

	Past due				
	Not overdue to 6 months	7 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	**0.14%**	**30.12%**	**53.30%**	**100%**	
Gross carrying amount (US$'000)	**925,370**	**2,261**	**3,002**	**1,217**	**931,850**
Expected credit losses (US$'000)	**1,333**	**681**	**1,600**	**1,217**	**4,831**

At December 31, 2021

	Past due				
	Not overdue to 6 months	7 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.17%	31.68%	54.15%	100%	
Gross carrying amount (US$'000)	882,199	3,782	1,276	1,117	888,374
Expected credit losses (US$'000)	1,498	1,198	691	1,117	4,504

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25. Prepayments, other receivables and other assets

	2022 US$'000	2021 US$'000
Prepayments	**19,985**	31,733
Deposits and other receivables (a)	**83,275**	28,130
Due from related parties (b)	**3,925**	2,142
Right-of-return assets	**1,176**	1,091
Indemnification assets (c)	**2,463**	3,541
Tax recoverable	**32,038**	19,219
Receivables from employees (d)	**16,759**	—
	159,621	85,856
Less: Impairment	**(768)**	(892)
	158,853	84,964

Notes:

(a) Included in the balance as at December 31, 2022 were tariff refunds from the temporary exemption of US$45,354,000 on the Group's certain products. There was no such balance as at December 31, 2021.

(b) Included in the amounts due from related parties were trade-related amounts due from associates of US$110,000 (2021: US$593,000) as at December 31, 2022 and non-trade-related amounts due from related parties of US$3,815,000 (2021: US$1,549,000) as at December 31, 2022.

(c) Pursuant to the agreement of acquisition of the Euro-Pro Group, the Group is entitled to be indemnified from the seller for certain tax provision.

(d) Included in the balance as at December 31, 2022 were advanced individual income tax for RSU which is expected to be recovered from these employees in 2023.

26. Cash and cash equivalents/pledged deposits

	2022 US$'000	2021 US$'000
Cash and bank balances	**464,991**	504,713
Time deposits — current	**74,047**	79,302
Less: pledged deposits for bills payable (note 27)	**(34,901)**	(28,558)
Cash and cash equivalents	**504,137**	555,457

26. Cash and cash equivalents/pledged deposits (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB928,796,000 (2021: RMB965,241,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. Trade and bills payables

The ageing analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 US$'000	2021 US$'000
Within 1 year	**686,698**	877,927
1 to 2 years	**808**	1,151
	687,506	879,078

Included in the trade and bills payables are trade payables of US$13,070,000 (2021: US$9,981,000) due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.

The Group's bills payable were secured by pledged deposits of the Group of US$34,901,000 (2021: US$28,558,000) as at December 31, 2022 and secured by bills receivable of the Group of US$124,815,000 (2021: US$189,054,000) as at December 31, 2022.

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

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28. Other payables and accruals

	2022 US$'000	2021 US$'000
Accruals	**223,436**	211,791
Contract liabilities (a)	**24,331**	28,060
Refund liabilities	**285,882**	266,364
Other payables	**100,404**	87,101
Provisions (b)	**20,958**	17,828
Due to related parties (c)	**8,264**	7,297
	663,275	618,441

Notes:

(a) Contract liabilities include short-term advances received from delivering home appliances and rendering extended warranty services. Included in the contract liabilities were short-term advances of US$593,000 (2021: US$509,000) received from related parties as at December 31, 2022.

(b) The Group provides standard warranties of one to seven years to its customers. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

(c) Included in the amounts due to related parties were trade-related amounts due to associates of US$8,264,000 (2021: US$7,297,000).

29. Other financial liabilities

In August 2022, the Group reached a receivables purchase agreement ("RPA") with a finance institution in order to early receive a portion of the proceeds of certain receivables from customers before the due date. The trade receivables under the RPA were made without recourse to the Group, and the Group shall have no liability to the financial institution for customers' failure to pay any receivables when it is due and payable under the terms within the RPA.

In the opinion of the directors, the Group has retained the substantial risks and rewards, as the entitlement of the remaining portion of the proceeds is subject to the repayment from these customers, and accordingly, the Group continued to recognize the full carrying amounts of the outstanding receivables at the year end date, which was amounted to US$87,148,000.

30. Derivative financial instruments

	2022 Assets US$'000	2021 Liabilities US$'000
Forward currency contracts	**22,657**	(66)

Note:

The forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value amounting to US$22,657,000 (2021: a loss of US$66,000) were charged to the statement of profit or loss during the year.

31. Interest-bearing bank borrowings

	December 31, 2022			**December 31, 2021**		
	Interest rate (%)	**Maturity**	**US$'000**	**Interest rate (%)**	**Maturity**	**US$'000**
Current						
Bank loans — secured (a)	**1.56+LIBOR**	**2023**	**48,303**	1.56+LIBOR	2022	35,870
Bank loans — secured (a)	**1.80+LIBOR**	**2023**	**86,972**	1.80+LIBOR	2022	49,402
			135,275			85,272
Non-current						
Bank loans — secured (a)	**1.56+LIBOR**	**2024 to 2025**	**372,612**	1.56+LIBOR	2023 to 2025	420,921
Bank loans — secured (a)	**1.80+LIBOR**	**2024 to 2025**	**349,169**	1.80+LIBOR	2023 to 2025	435,953
			721,781			856,874
			857,056			942,146

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31. Interest-bearing bank borrowings (continued)

	December 31, 2022 US$'000	December 31, 2021 US$'000
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	**135,275**	85,272
In the second year	**222,797**	135,092
In the third to fifth years, inclusive	**498,984**	721,782
	857,056	942,146

Notes:

(a) The bank loans are secured by:

(i) The pledge of 411,558,069 (2021: 307,618,897) shares of Joyoung Co., Ltd. as at December 31, 2022, and the pledge of 103,939,172 shares of Joyoung Co., Ltd., which was effective starting from January 24, 2022;

(ii) 82.90% of the shares in Shanghai Lihong held by JS Global Trading HK Limited;

(iii) 0.86% of the shares in Shanghai Lihong held by Easy Appliance Limited;

(iv) Certain of the Group's assets amounting to US$2,554,454,000 (2021: US$2,564,917,000) as at December 31, 2022; and

31. Interest-bearing bank borrowings (continued)

Notes: (continued)

(a) The bank loans are secured by: (continued)

(v) The pledge of equity interests of the following companies:

	Percentage of equity interests
Global Appliance LLC	100%
EP Midco LLC	100%
SharkNinja Operating LLC	100%
Euro-Pro International Holding Company	100%
SharkNinja Sales Company	100%
SharkNinja Management LLC	100%
Global Appliance UK Holdco Limited	100%
SharkNinja Global SPV, Ltd.	100%
SharkNinja Global SPV 2 Limited	100%
Bilting Developments Limited	100%
JS (BVI) Holding Limited	100%
JS Global Trading HK Limited	100%
Euro-Pro Hong Kong Limited	100%
SharkNinja (Hong Kong) Company Limited	100%
Shenzhen SharkNinja Technology Co., Ltd.	100%
Suzhou SharkNinja Technology Co., Ltd.	100%

The Group's unutilized available bank borrowing facilities amounted to US$200,000,000 (2021: US$200,000,000) as at December 31, 2022.

32. Commitments

The Group had the following capital commitments at the end of the reporting period:

	2022 US$'000	2021 US$'000
Contracted, but not provided for:		
Property, plant and equipment	**27,396**	13,285
Intangible assets	**2,888**	2,127
	30,284	15,412

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33. Deferred tax assets/liabilities

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets:

	Tax losses US$'000	Impairment allowance US$'000	Accrued expenses and reserves US$'000	Depreciation allowance in excess of related depreciation US$'000	Unrealized profit arising in intra-group transactions US$'000	Lease liabilities US$'000	Fair value adjustments arising from financial assets US$'000	Research and development cost* US$'000	Others US$'000	Total US$'000
At January 1, 2021	1,573	2,676	38,812	1,341	12,036	18,189	–	–	2,770	77,397
Exchange realignment	(3)	23	181	2	(29)	37	17	–	(135)	93
Deferred tax (charged)/ credited to share award reserve/other comprehensive income	–	–	(5,471)	–	–	–	362	–	–	(5,109)
Deferred tax (charged)/ credited to profit or loss	478	2,885	12,780	(1,326)	3,625	1,468	1,087	–	1,347	22,344
At December 31, 2021	2,048	5,584	46,302	17	15,632	19,694	1,466	–	3,982	94,725
At January 1, 2022	**2,048**	**5,584**	**46,302**	**17**	**15,632**	**19,694**	**1,466**	**—**	**3,982**	**94,725**
Exchange realignment	**(59)**	**(135)**	**(180)**	**(1)**	**(435)**	**(11)**	**(148)**	**—**	**—**	**(969)**
Deferred tax (charged)/ credited to share award reserve/other comprehensive income	**—**	**—**	**(3,055)**	**—**	**—**	**—**	**540**	**—**	**—**	**(2,515)**
Deferred tax (charged)/ credited to profit or loss	**4,926**	**(311)**	**(8,010)**	**(16)**	**(1,662)**	**(2,032)**	**1,420**	**37,180**	**(3,982)**	**27,513**
At December 31, 2022	**6,915**	**5,138**	**35,057**	**—**	**13,535**	**17,651**	**3,278**	**37,180**	**—**	**118,754**

* Pursuant to Internal Revenue Code Section 174, the new tax policy which would require taxpayers to capitalize and amortize U.S.-based research and experimentation (R&E) expenses over a period of five years and non-U.S. R&E expenses over 15 years effective for tax years beginning from January 1, 2022.

33. Deferred tax assets/liabilities (continued)

Deferred tax liabilities:

	Interest receivable US$'000	Fair value adjustments arising from financial assets US$'000	Amortization allowance of intangible assets US$'000	Right-of-use assets US$'000	Withholding taxes US$'000	Others US$'000	Total US$'000
At January 1, 2021	228	3,780	132,671	16,427	6,326	3,646	163,078
Exchange realignment	9	(58)	—	37	—	88	76
Transfer to tax payable	—	—	—	—	(5,009)	—	(5,009)
Recognized in other comprehensive income	—	536	—	—	—	—	536
Deferred tax charged to profit or loss	220	1,285	4,938	1,188	2,308	693	10,632
At December 31, 2021	457	5,543	137,609	17,652	3,625	4,427	169,313
At January 1, 2022	**457**	**5,543**	**137,609**	**17,652**	**3,625**	**4,427**	**169,313**
Exchange realignment	**(29)**	**(371)**	**—**	**(10)**	**—**	**(2,961)**	**(3,371)**
Transfer to tax payable	**—**	**—**	**—**	**—**	**(5,915)**	**—**	**(5,915)**
Recognized in other comprehensive income	**—**	**(73)**	**—**	**—**	**—**	**—**	**(73)**
Deferred tax charged to profit or loss	**(218)**	**3,279**	**7,982**	**(2,320)**	**4,685**	**2,615**	**16,023**
At December 31, 2022	**210**	**8,378**	**145,591**	**15,322**	**2,395**	**4,081**	**175,977**

33. Deferred tax assets/liabilities (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 US$'000	2021 US$'000
Deferred tax assets	**103,433**	77,073
Deferred tax liabilities	**(160,656)**	(151,661)
	(57,223)	(74,588)

At the end of the reporting period, the Group had no tax losses that are available indefinitely for offsetting against future taxable profits.

At the end of the reporting period, the Group had tax losses arising in Mainland China of US$6,346,000 (2021: US$11,884,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets in respect of tax losses of US$19,098,000 (2021: US$15,268,000) have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement was effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

As of December 31, 2022, there was no significant unrecognized deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates (2021: nil).

34. Other non-current liabilities

	2022 US$'000	2021 US$'000
Contract liabilities	**2,651**	2,575
Incurred but not reported general product liability	**17,865**	12,990
Uncertain tax positions	**4,150**	4,245
Others	**1,569**	—
	26,235	19,810

35. Issued capital

	2022 US$'000	2021 US$'000
Authorized:		
5,000,000,000 (2021: 5,000,000,000) ordinary shares of US$0.00001 each	**50**	50
Issued and fully paid:		
3,494,612,277 (2021: 3,494,612,277) ordinary shares of US$0.00001 each	**34**	34

	Note	Number of ordinary shares	Nominal value US$'000
At January 1, 2021		**3 ,489,112,277**	**34**
Issue of shares to the RSU Plan	(i)	**5,500,000**	**—**
At December 31, 2021, January 1, 2022 and December 31, 2022		**3,494,612,277**	**34**

(i) In January 2021, the Company issued and allotted 5,500,000 ordinary shares with a nominal value of US$0.00001 each to Grand Riches Ventures Limited pursuant to the RSU Plan.

36. Share-based payments

Restricted Stock Units Plan of the Group ("JS RSU Scheme")

JS RSU Scheme — 2019 tranche

On October 9, 2019, the Company approved JS RSU Scheme. The purpose of JS RSU Scheme is to recognize and reward participants for their contribution to the Group, to attract the best available personnel to provide service to the Group, and to provide additional incentives to them to remain with and further promote the success of the Group's business. Subject to any early termination as may be determined by the board pursuant to the terms of the RSU Scheme, the RSU Scheme shall be valid and effective for a period of 10 years commencing on the adoption date of October 9, 2019, after which no further awards will be granted, but the provisions of this RSU Scheme shall in all other respects remain in full force and effect and the awards granted during the term of the RSU Plan may continue to be valid and exercisable in accordance with their respective terms of grant.

The Company has set up two structured entities ("**RSU Holding Entities**"), namely Golden Tide International Limited and Grand Riches Ventures Limited, which are solely for the purpose of administering and holding the Company's shares for JS RSU Scheme. Pursuant to a resolution passed by the board of directors of the Company on October 9, 2019, the Company issued 141,618,409 ordinary shares to the RSU Holding Entities at a par value of US$0.00001 each, being the ordinary shares underlying the JS RSU Scheme. In addition, the Company has entered into a trust deed with an independent trustee (the "**RSU Trustee**") on October 14, 2019, pursuant to which the RSU Trustee shall act as the administrator of the Company's RSU Plan. The Company has the power to direct the relevant activities of the RSU Holding Entities and it has the ability to use its power over the RSU Holding Entities to affect its exposure to returns. Therefore, the assets and liabilities of the RSU Holding Entities are included in the Group's consolidated statement of financial position and the ordinary shares held for the JS RSU Scheme were regarded as treasury shares with nil consideration.

The initial number of shares underlying JS RSU Scheme shall not exceed the aggregate of 141,618,409 shares as of the date of adoption of JS RSU Scheme, representing 4.05% of the issued shares of the Company. A total of 129,265,801 RSUs were granted to directors and employees with nil consideration with the vesting schedule as below:

- 30% of the RSUs, namely 38,779,740 RSUs, are not subject to any performance-based conditions and vest in four annual installments equally on May 31 of 2020 to 2023 (the "**Time RSUs**"). If the grantees are employed or in service with the Group as of January 31 of any year, they will be entitled to the Time RSUs to be vested on May 31 of the same year.

- 70% of the RSUs, namely 90,486,061 RSUs, are subject to performance-based conditions and vest (if any, fully or partially) over four years on May 31 of 2020 to 2023 (the "**Performance RSUs**"). The performance target is measured by reference to the financial performance of the Group, Joyoung and SharkNinja for each of the four financial years ending December 31 of 2019, 2020, 2021 and 2022 (the "**Plan Year**"). If the grantees are employed or in service with the Group as of January 31 of any year, they will be entitled to the Performance RSUs to be vested on May 31 of the same year.

36. Share-based payments (continued)

Restricted Stock Units Plan of the Group ("JS RSU Scheme") (continued)

Grantees are not entitled to any rights of a shareholder (including voting and dividend rights) on the unvested portion of the RSUs.

The fair values of the 2019 tranche of JS RSU Scheme were estimated as at the date of grant using a Monte-Carlo Simulation Model, considering the terms and conditions upon which the RSUs were granted. The following table lists the key inputs to the model used:

Life of the RSU Plan	**0.33–3.33 years**
Annualized staff turnover rate	**0%–10%**
Annualized volatility of revenue change*	**25.0%**
Discount rate ("**WACC**")	**16.0%**

* The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

JS RSU Scheme — 2021 tranche

On January 18, 2021, January 27, 2021 and April 1, 2021, a total of 9,924,347 RSUs were granted to 9 participants of the Company pursuant to JS RSU Scheme, which were partly sourced from the issuance of 5,500,000 new shares.

On September 28, 2021 and November 10, 2021, a total of 1,370,000 RSUs were granted to 23 participants of the Company pursuant to JS RSU Scheme.

The 2021 tranche of JS RSU Scheme was granted with nil consideration and the vesting schedule is similar to that of 2019 tranche. 30% of the RSUs are Time RSUs, which vest annually from 2021 to 2023. 70% of the RSUs are Performance RSUs, which vest annually from 2021 to 2023 based on the performance target.

The fair value of the 2021 tranche of JS RSU Scheme was based on the closing price of Company's share as at the date of grant.

JS RSU Scheme — 2022 tranche

On March 18, 2022 and April 1, 2022, a total of 1,042,000 RSUs were granted to 9 participants of the Company pursuant to JS RSU Scheme.

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36. Share-based payments (continued)

Restricted Stock Units Plan of the Group ("JS RSU Scheme") (continued)

JS RSU Scheme — 2022 tranche (continued)

The 2022 tranche of JS RSU Scheme was granted with no consideration and the vesting schedule is similar to that of 2019 tranche. 30% of the RSUs are Time RSUs, which vest annually from 2022 to 2023. 70% of the RSUs are Performance RSUs, which vest in 2022 and 2023 based on performance target.

The following RSUs were outstanding under the RSU Scheme:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Fair value per share US$	Number of RSUs	Fair value per share US$	Number of RSUs
At the beginning of the year	**0.83**	**67,742,145**	0.63	93,906,433
Granted on January 18, 2021	**—**	**—**	2.45	9,224,347
Granted on January 27, 2021	**—**	**—**	2.40	350,000
Granted on April 1, 2021	**—**	**—**	3.24	350,000
Granted on September 28, 2021	**—**	**—**	2.27	1,025,000
Granted on November 10, 2021	**—**	**—**	1.86	345,000
Granted on March 18, 2022	**0.95**	**958,000**	—	—
Granted on April 1, 2022	**1.17**	**84,000**	—	—
Exercised during the year	**0.81**	**(32,815,329)**	0.80	(34,340,831)
Forfeited during the year	**0.94**	**(1,123,709)**	1.54	(3,117,804)
At the end of the year	**0.80**	**34,845,107**	0.83	67,742,145

During the year ended December 31, 2022, the Group recognized share award expenses of US$10,556,000 (2021: US$27,845,000).

On December 14, 2020, the Board had approved to amend the maximum number of the shares underlying the RSU Scheme and held by the trustee on trust as issued or to be issued by the Company (excluding the Shares underlying the RSUs that have lapsed or been canceled or forfeited in accordance with the terms and conditions of the RSU Scheme) from 141,618,409 shares to 147,118,409 shares.

36. Share-based payments (continued)

Restricted Stock Units Plan of the Group ("JS RSU Scheme") (continued)

JS RSU Scheme — 2022 tranche (continued)

On July 2, 2021, a one-time cash award as an amount of HK$11,800,000 was granted to a participant, which was from the sale of the ungranted 546,500 RSU Shares.

On December 30, 2021, the Board had approved to amend the maximum number of the shares underlying the RSU Scheme and held by the trustee on trust as issued or to be issued by the Company (excluding the Shares underlying the RSUs that have lapsed or been canceled or forfeited in accordance with the terms and conditions of the RSU Scheme) from 147,118,409 shares to 199,537,593 shares.

On March 29, 2022, the Board had approved to amend the maximum number of the shares underlying the RSU Scheme and held by the trustee on trust as issued or to be issued by the Company (excluding the Shares underlying the RSUs that have lapsed or been cancelled or forfeited in accordance with the terms and conditions of the RSU Scheme) from 199,537,593 shares to 300,000,000 shares.

As at December 31, 2022, the Company had repurchased an aggregate of 25,437,000 shares for the JS RSU Scheme.

At the date of approval of the financial statements, the Company had 34,845,107 RSUs outstanding under the JS RSU Scheme, which represented approximately 1.0% of the Company's shares in issue as at that date.

Share Option Incentive Scheme of Joyoung Co., Ltd. ("JY Scheme 2021")

On May 28, 2021, the Company approved and adopted the Share Option Incentive Scheme Joyoung Co., Ltd. ("JY Scheme 2021") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Joyoung's operations. Eligible participants of the Scheme 2021 include directors, senior management and key employees.

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36. Share-based payments (continued)

Share Option Incentive Scheme of Joyoung Co., Ltd. ("JY Scheme 2021") (continued)

Pursuant to the JY Scheme 2021, a total of 18,000,000 share options shall be granted to the eligible participants. On April 29, 2021, a total of 15,600,000 share options were granted to participants with nil consideration. The exercise conditions include company performance and individual performance. The vesting schedules are as follows:

Exercise arrangement	Performance conditions to be fulfilled with	Exercise proportion
First exercise	Compared with year 2020, the revenue growth rate in 2021 is no less than 15% and the profit growth rate in 2021 is no less than 5%	40%
Second exercise	Compared with year 2020, the revenue growth rate in 2022 is no less than 33% and the profit growth rate in 2022 is no less than 16%	30%
Third exercise	Compared with year 2020, the revenue growth rate in 2023 is no less than 56% and the profit growth rate in 2023 is no less than 33%	30%

The registration of share options granted above was completed on June 1, 2021.

The JY Scheme 2021 shall be effective from the date on which the share options have been granted, and end on the date on which all the share options granted to the participants have been exercised or canceled, which shall not exceed 48 months. The vesting period shall be 12 months, 24 months or 36 months from the date on which the share options have been granted and registered.

The following share options were outstanding under the JY Scheme 2021 during the year:

	For the period ended December 31, 2022		For the year ended December 31, 2021	
	Weighted average exercise price RMB per share	Number of options	Weighted average exercise price RMB per share	Number of options
At the beginning of the year	**21.99**	**15,600,000**	—	—
Granted during the year	**—**	**—**	21.99	15,600,000
Forfeited during the year	**21.99**	**(6,954,000)**	—	—
At the end of the year	**21.99**	**8,646,000**	21.99	15,600,000

No share options were exercised during the reporting year.

36. Share-based payments (continued)

Share Option Incentive Scheme of Joyoung Co., Ltd. ("JY Scheme 2021") (continued)

The fair value of equity-settled share options granted during the year, was estimated as at the date of grant using a Black-Scholes share option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Exercise price determined at the grant date	**RMB21.99**
Expected option life (years)	**1–3 years**
Estimated volatility of the share price	**21.28%–23.83%**
Annual risk-free interest rate during the option life	**1.50%–2.75%**
Fair value per share of the options	**11.83–13.78**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of the share options granted on the grant date was RMB197,632,000 (equivalent to US$30,555,000). As of December 31, 2022, Joyoung Co., Ltd. did not recognize any share option expenses due to the unfulfilled performance target.

At the date of approval of the financial statements, Joyoung Co., Ltd. had 8,646,000 share options outstanding under the JY Scheme 2021, which represented approximately 1.1% of Joyoung Co., Ltd.'s shares in issue (December 31, 2021: 2.0%).

Phase 1 Employee Stock Ownership Plan (the "JY ESOP I")

On March 28, 2022, Joyoung adopted the phase I employee stock ownership plan (the "JY ESOP I"), which was amended on April 1, 2022 and approved by the shareholders of Joyoung on April 22, 2022.

There were 7 participants in total under the JY ESOP I, including the directors, senior managements and core employees of Joyoung and its subsidiaries.

The source of the fund of the JY ESOP I was directly from the participants, including their self-owned funds, as well as their future remunerations that expected to be entitled, and other available sources within the framework of the applicable laws and regulations.

On October 20, 2022, 16,000,000 shares in total under the JY ESOP I ("the target shares") were granted to these participants through a formal agreement reached between the Joyoung and the participants. Shares granted to these participants were from the treasury shares that previously repurchased from the stock exchange market by Joyoung.

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36. Share-based payments (continued)

Phase 1 Employee Stock Ownership Plan (the "JY ESOP I") (continued)

Pursuant to the JY ESOP I, the target shares granted will be eligible to vest over the next five years on the condition that the related performance target for each tranche were satisfied, based on the following schedule:

Tranche	Vesting date	Portion of the target shares can be vested
1	November 3, 2023	**20%**
2	November 3, 2024	**20%**
3	November 3, 2025	**20%**
4	November 3, 2026	**20%**
5	November 3, 2027	**20%**

The following share were outstanding under the JY ESOP I during the year:

	For the year ended December 31, 2022	
	Fair value per share RMB	Number of shares
At the beginning of the year	**—**	**—**
Granted during the year	**14.75**	**16,000,000**
At the end of the year	**14.75**	**16,000,000**

Total expense recognized for the year ended December 31, 2022 related to JY ESOP I was approximately RMB11,380,000 (equivalent to US$1,694,000).

37. Reserves

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

Pursuant to the relevant rules and regulations in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries appropriate 10% of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital. During the reporting period, no profit was appropriated for the statutory reserve as the accumulated statutory reserve fund of the Group's PRC subsidiaries has reached 50% of their respective registered capital.

38. Non-controlling interests

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests as at December 31:		
Joyoung Co., Ltd.	**32.93%**	32.93%

	2022 US$'000	2021 US$'000
Profit for the year allocated to non-controlling interests:		
Joyoung Co., Ltd.	**25,605**	40,862
Dividends paid to non-controlling interests:		
Joyoung Co., Ltd.	**56,018**	39,262
Accumulated balances of non-controlling interests at the reporting date:		
Joyoung Co., Ltd.	**159,180**	223,146

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38. Non-controlling interests (continued)

The following tables illustrate the summarized financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2022	2022 Joyoung Co., Ltd. US$'000	2021 Joyoung Co., Ltd. US$'000
Revenue	**1,498,972**	1,619,020
Total expenses	**(1,420,233)**	(1,503,331)
Profit for the year	**78,739**	115,689
Total comprehensive income for the year	**77,298**	114,406
Current assets	**734,412**	1,024,587
Non-current assets	**292,143**	312,669
Current liabilities	**532,159**	656,425
Non-current liabilities	**10,669**	13,162
Net cash flows from/(used in) operating activities	**90,852**	(5,398)
Net cash flows from investing activities	**33,947**	122,359
Net cash flows used in financing activities	**(197,627)**	(122,264)
Net decrease in cash and cash equivalents	**(72,828)**	(5,303)

39. Notes to the consolidated statement of cash flows

Changes in liabilities arising from financing activities

	Dividends payable US$'000	Interest-bearing bank borrowings US$'000	Lease liabilities US$'000
At January 1, 2022	**—**	**942,146**	**87,341**
Changes from financing cash flows	**(235,360)**	**(88,846)**	**(22,168)**
Dividends declared	**235,360**	**—**	**—**
Additions of lease liabilities	**—**	**—**	**16,668**
Disposal of lease liabilities			**(109)**
Interest expenses during the year	**—**	**3,756**	**3,850**
Exchange differences	**—**	**—**	**(1,130)**
At December 31, 2022	**—**	**857,056**	**84,452**

	Dividends payable US$'000	Interest-bearing bank borrowings US$'000	Lease liabilities US$'000
At January 1, 2021	—	939,416	76,191
Changes from financing cash flows	(155,174)	(899)	(23,709)
Dividends declared	155,174	—	—
Additions of lease liabilities	—	—	31,263
Interest expenses during the year	—	3,629	3,452
Exchange differences	—	—	144
At December 31, 2021	—	942,146	87,341

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40. Pledge of assets

Details of the Group's trade and bills payables and bank borrowings, which are secured by the assets and equity interests of the Group, are included in notes 27 and 31 to the financial statements.

41. Related party transactions

(a) The Group had the following transactions with related parties during the reporting period:

	Notes	2022 US$'000	2021 US$'000
Sales of goods to associates:	i		
Shenzhen Northwest Sunshine Appliance Co., Limited (深圳市西貝陽光電器有限公司)		**13,803**	12,907
Shenyang Boerman Trading Co., Limited (瀋陽伯爾曼商貿有限公司)		**9,513**	12,615
Jinan Zhengming Trading Co., Limited (濟南正銘商貿有限公司)		**—**	9,894
Beijing Zhongdingzhilian Trading Co., Limited (北京中鼎智聯商貿有限公司)		**10,358**	8,290
Henan Xulian Trading Co., Limited (河南旭聯商貿有限公司)		**4,637**	6,845
Shanghai Fanqi Health Technology Development Co., Limited (上海泛齊健康科技發展有限公司)		**132**	5,178
Others	ii	**9,738**	11,455
		48,181	67,184
Purchases of goods from associates:	i		
Hangzhou XinDuoDa Electronic Technology Co., Limited (杭州信多達電子科技有限公司)		**54,865**	69,729
Shandong Shengning Appliance Co., Limited (山東勝寧電器有限公司)		**30,114**	35,242
Hangzhou Hongfeng Electronic Fittings Co., Limited (杭州弘豐電子配件有限公司)		**—**	32,701
Shandong Yiteng Small Appliance Co., Limited (山東一騰小家電有限公司)		**21,006**	24,582
Others	ii	**475**	468
		106,460	162,722

41. Related party transactions (continued)

(a) The Group had the following transactions with related parties during the reporting period: (continued)

	Notes	2022 US$'000	2021 US$'000
Rental income from associates	iii	**613**	454
Service income from associates	iv	**743**	790
Advances to related parties	v	**7,602**	18,194
Settlement of advance to related parties	v	**5,293**	1,932
Compensation income	vi	**—**	3,334

Notes:

(i) The sales to/purchases from the associates were made according to the prices and conditions mutually agreed by both parties.

(ii) The amounts represented the aggregate transaction amounts with certain of the Group's associates that are widely dispersed and not individually significant.

(iii) The rental income from the associates was generated according to the contracts agreed by both parties. Included in the amounts was rental income of US$547,000 (2021:US$409,000) generated from Hangzhou Joyoung Bean Industry Limited ("杭州九陽豆業有限公司"), which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, as these continuing connected transactions represent less than 0.1% of the relevant percentage ratios, pursuant to paragraph 14A.76(1)(a) of the Listing Rules, these continuing connected transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

(iv) The service income from the associates was generated according to the contracts agreed by both parties.

(v) In 2022, the Group paid US$7,602,000 individual income tax in relation to the share award scheme on behalf of key management (2021: US$16,095,000).

The advance to related parties was interest-free and had been partially settled with service that key management provided amounting to US$5,293,000 during the year of 2022 and no balance was settled with cash during the year (2021:US$ 1,932,000).

(vi) The Group purchased the property from Hangzhou Taimei Properties Limited ("杭州泰美置業有限公司") in 2020. In 2021, Hangzhou Taimei Properties Limited compensated the Group for its delay in transferring the property title according to the contracts agreed by both parties.

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41. Related party transactions (continued)

(b) Outstanding balances with related parties:

(i) Details of the Group's trade balances with its associates as at the end of the reporting period are disclosed in notes 24 and 27 to the financial statements.

(ii) Details of the Group's amounts due from certain employees who are also related parties of the Group as at the end of the reporting period are disclosed in note 25 to the financial statements. The balance is unsecured, interest-free and repayable in 2023.

(iii) Details of the Group's advances to related parties as at the end of the reporting period are disclosed in note 25 to the financial statements. The balance is unsecured, interest-free and has no fixed terms of settlement.

(c) Key management compensation:

Compensation for key management other than those for directors as disclosed in note 9 to the financial statements is set out below:

	2022 US$'000	2021 US$'000
Salaries, allowances and benefits in kind	**2,523**	2,006
Performance-related bonuses	**42,885**	3,490
Pension scheme contributions	**67**	33
Share award expense	**5,834**	16,774
Total	**51,309**	22,303

42. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

December 31, 2022

Financial assets	Financial assets at fair value through other comprehensive income US$'000	Financial assets at fair value through profit or loss US$'000	Financial assets at amortized cost US$'000	Total US$'000
Financial assets at fair value through profit or loss	—	93,444	—	93,444
Financial assets designated at fair value through other comprehensive income	42,495	—	—	42,495
Other non-current assets	—	—	11,225	11,225
Trade and bills receivables	264,515	—	933,510	1,198,025
Financial assets included in prepayments, other receivables and other assets	—	—	103,849	103,849
Pledged deposits	—	—	34,901	34,901
Cash and cash equivalents	—	—	504,137	504,137
Derivative financial instruments	—	22,657	—	22,657
	307,010	116,101	1,587,622	2,010,733

Financial liabilities	Financial liabilities at amortized cost US$'000	Total US$'000
Trade and bills payables	687,506	687,506
Financial liabilities included in other payables and accruals	29,648	29,648
Other financial liabilities	87,148	87,148
Interest-bearing bank borrowings	857,056	857,056
Lease liabilities	84,452	84,452
	1,745,810	1,745,810

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42. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

December 31, 2021

Financial assets	Financial assets at fair value through other comprehensive income US$'000	Financial assets at fair value through profit or loss US$'000	Financial assets at amortized cost US$'000	Total US$'000
Financial assets at fair value through profit or loss	—	163,265	—	163,265
Financial assets designated at fair value through other comprehensive income	44,728	—	—	44,728
Other non-current assets	—	—	29,586	29,586
Trade and bills receivables	347,605	—	898,143	1,245,748
Financial assets included in prepayments, other receivables and other assets	—	—	29,679	29,679
Pledged deposits	—	—	28,558	28,558
Cash and cash equivalents	—	—	555,457	555,457
	392,333	163,265	1,541,423	2,097,021

Financial liabilities	Financial liabilities at fair value through profit or loss US$'000	Financial liabilities at amortized cost US$'000	Total US$'000
Trade and bills payables	—	879,078	879,078
Financial liabilities included in other payables and accruals	—	20,382	20,382
Interest-bearing bank borrowings	—	942,146	942,146
Lease liabilities	—	87,341	87,341
Derivative financial instruments	66	—	66
	66	1,928,947	1,929,013

43. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	December 31, 2022 US$'000	December 31, 2021 US$'000	**December 31, 2022 US$'000**	December 31, 2021 US$'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	**42,495**	44,728	**42,495**	44,728
Financial assets at fair value through profit or loss	**93,444**	163,265	**93,444**	163,265
Derivative financial instruments	**22,657**	—	**22,657**	—

	Carrying amounts		Fair values	
	December 31, 2022 US$'000	December 31, 2021 US$'000	**December 31, 2022 US$'000**	December 31, 2021 US$'000
Financial liabilities:				
Derivative financial instruments	**—**	66	**—**	66

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance manager analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits other than those measured at fair value, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Bills receivable and certain pledged deposits measured at fair value are categorized as Level 2, while financial assets at fair value through profit or loss, financial assets designated at fair value through other comprehensive income are categorized as Level 3.

43. Fair value and fair value hierarchy of financial instruments (continued)

For financial assets measured at fair value, the following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair values of listed equity investments are based on quoted market prices. The Group invests in financial products issued by banks in Mainland China and investment funds in accordance with the entrusted agreements entered into between the parties involved. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at December 31, 2022, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognized at fair value.

43. Fair value and fair value hierarchy of financial instruments (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each reporting period:

	As at December 31, 2022 US$'000	As at December 31, 2021 US$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted financial assets at fair value through profit or loss	**93,439**	163,264	Level 3	Discounted cash flows. Future cash flows are estimated based on the expected applicable yield of the underlying investment portfolio, discounted at a rate that reflects the credit risk of various counterparties	Expected yield of the underlying investment portfolio and the discount rate	Discount rate-1% to discount rate+1% (December 31, 2021: Discount rate-1% to discount rate+1%)	1% (December 31, 2022: 1%) increase/ decrease in multiple would result in decrease/ increase in fair value by US$-523,000/ US$545,000 (December 31, 2021: US$-274,000 to US$278,000)
Unlisted financial assets designated at fair value through other comprehensive income	**42,495**	44,728	Level 3	Discounted cash flows. Future cash flows are estimated based on the expected applicable yield of the underlying investment portfolio, discounted at a rate that reflects the credit risk of various counterparties	Expected yield of the underlying investment portfolio and the discount rate	Discount rate-1% to discount rate+1% (December 31, 2021: Discount rate-1% to discount rate+1%)	1% (December 31, 2022: 1%) increase/ decrease in multiple would result in decrease/ increase in fair value by US$-2,978,000/ US$4,376,000. (December 31, 2021: US$-3,666,000 to US$4,276,000)

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43. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets:				
Financial assets designated at fair value through other comprehensive income	—	—	42,495	42,495
Financial assets at fair value through profit or loss	5	—	93,439	93,444
Bills receivable	—	264,515	—	264,515
Derivative financial instruments	—	22,657	—	22,657

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets:				
Financial assets designated at fair value through other comprehensive income	—	—	44,728	44,728
Financial assets at fair value through profit or loss	1	—	163,264	163,265
Bills receivable	—	347,605	—	347,605

44. Financial risk management objectives and policies

The Group's principal financial instrument comprises interest-bearing bank loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US$'000
2022		
If interest rate increases by	**1**	**(3,181)**
If interest rate decreases by	**(1)**	**3,181**
2021		
If interest rate increases by	1	(3,582)
If interest rate decreases by	(1)	3,582

44. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 0.36% (2021: 0.73%) of the Group's sales in 2022 were denominated in currencies other than the functional currencies of the operating units making the sales. Management has assessed that the Group's profit before tax is not sensitive to the currency exchange rate at the end of each reporting period.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and HK$ exchange rates of the Group's equity due to changes in the currency translation.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in equity* US$'000
December 31, 2022		
If US$ weakens against RMB	**5**	**28,316**
If US$ strengthens against RMB	**(5)**	**(28,316)**
If US$ weakens against HK$	**5**	**744**
If US$ strengthens against HK$	**(5)**	**(744)**
December 31, 2021		
If US$ weakens against RMB	5	31,989
If US$ strengthens against RMB	(5)	(31,989)
If US$ weakens against HK$	5	1,052
If US$ strengthens against HK$	(5)	(1,052)

* Excluding retained profits

44. Financial risk management objectives and policies (continued)

Credit risk

The Group is exposed to credit risk in relation to its trade and bills receivables and other receivables, pledged deposits and cash and cash equivalents.

The Group expects that there is no significant credit risk associated with pledged deposits and cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group expects that the credit risk associated with trade and bills receivables and other receivables due from related parties is considered to be low since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Impairment provision recognized during the reporting period was US$265,000 for the trade receivables and other receivables due from related parties (2021: US$368,000).

The Group trades only with recognized and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and other receivables are widely dispersed. The expected credit losses for trade receivables are disclosed in note 24. Financial assets included in prepayments, other receivables and other assets mainly represent rental receivables, advances from employees, deposits with suppliers and amounts due from related parties. Credit risk is managed by analysis by counterparties, as no comparable companies with credit ratings can be identified. Expected credit losses are estimated with reference to the historical loss record of the Group and other reasonable forward-looking information, which resulted in expected credit losses of US$555,571 as at December 31, 2022 (2021: US$641,000). In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

Notes to Financial Statements

December 31, 2022

44. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, is as follows:

Year ended December 31, 2022

	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Interest-bearing bank borrowings	**100,456**	**85,203**	**768,637**	**—**	**954,296**
Trade and bills payables	**684,624**	**2,074**	**808**	**—**	**687,506**
Financial liabilities included in other payables and accruals	**29,648**	**—**	**—**	**—**	**29,648**
Lease liabilities	**5,621**	**15,098**	**50,625**	**26,160**	**97,504**
	820,349	**102,375**	**820,070**	**26,160**	**1,768,954**

Year ended December 31, 2021

	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Interest-bearing bank borrowings	65,991	34,887	883,396	—	984,274
Trade and bills payables	873,090	4,837	1,151	—	879,078
Financial liabilities included in other payables and accruals	20,382	—	—	—	20,382
Lease liabilities	6,676	16,775	49,819	27,467	100,737
	966,139	56,499	934,366	27,467	1,984,471

44. Financial risk management objectives and policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for capital management during the reporting period.

45. Events after the reporting period

On February 23, 2023, the Company submitted a proposal to the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to the spin-off and separate listing of SharkNinja pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company has obtained approval from the Stock Exchange that the Company may proceed with the proposed spin-off, and it may be undertaken together with an initial public offering of SharkNinja shares on a U.S. Exchange, either the New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ), subject to the determination by SharkNinja and the Company.

Notes to Financial Statements

December 31, 2022

46. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 US$'000	2021 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**869,729**	882,045
CURRENT ASSETS		
Prepayments, other receivables and other assets	**62**	16
Cash and cash equivalents	**76,939**	9,179
Due from subsidiaries	**79,340**	57,329
Total current assets	**156,341**	66,524
CURRENT LIABILITIES		
Other payables and accruals	**7,436**	9,471
Due to subsidiaries	**9,143**	19,903
Interest-bearing bank borrowings	**48,303**	35,870
Total current liabilities	**64,882**	65,244
NET CURRENT ASSETS	**91,459**	1,280
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**372,612**	420,921
Net assets	**588,576**	462,404
EQUITY		
Issued capital	**34**	34
Share premium	**830,545**	830,545
Share award reserve	**36,331**	40,426
Reserves	**(279,184)**	(408,601)
	587,726	462,404

46. Statement of financial position of the Company (continued)

A summary of the Company's reserves is as follows:

	Issued capital US$'000	Share premium US$'000	Share award reserve US$'000	Accumulated losses US$'000	Total US$'000
At January 1, 2022	**34**	**830,545**	**40,426**	**(408,601)**	**462,404**
Total comprehensive income for the year	—	—	—	**297,276**	**297,276**
Equity-settled share award scheme	—	—	**10,556**	—	**10,556**
Settlement of share award scheme	—	—	**(14,651)**	**14,651**	—
Final dividend declared for 2021	—	—	—	**(182,510)**	**(182,510)**
At December 31, 2022	**34**	**830,545**	**36,331**	**(279,184)**	**587,726**

46. Statement of financial position of the Company (continued)

A summary of the Company's reserves is as follows: (continued)

	Issued capital US$'000	Share premium US$'000	Share award reserve US$'000	Accumulated losses US$'000	Total US$'000
At January 1, 2021	34	830,545	46,555	(341,847)	535,287
Total comprehensive income for the year	—	—	—	17,539	17,539
Equity-settled share award scheme	—	—	27,845	—	27,845
Settlement of share award scheme	—	—	(33,974)	35,572	1,598
Final dividend declared for 2020	—	—	—	(119,865)	(119,865)
At December 31, 2021	34	830,545	40,426	(408,601)	462,404

47. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

48. Approval of the financial statements

The financial statements were approved and authorized for issue by the board of directors of the Company on March 31, 2023.

Definitions

"Annual General Meeting"	the forthcoming annual general meeting of the Company to be held on May 22, 2023
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China, and for the purposes of this annual report for geographical reference only (unless otherwise indicated), excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
"Company", "Our Company" or "JS Global Lifestyle"	JS Global Lifestyle Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on July 26, 2018, the Shares of which are listed on the Stock Exchange
"Controlling Shareholders"	as defined under the Listing Rules
"Director(s)"	director(s) of the Company
"Global Offering"	the offer of the Shares for subscription as described in the section headed "Structure of the Global Offering" in the Prospectus
"Group" or "we"	the Company (any one or more of, as the context may require) and its subsidiaries and operating entities
"HK$" or "HKD"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"IP"	intellectual property
"Joyoung"	Joyoung Co., Ltd. (九陽股份有限公司), a company incorporated in the PRC, whose A shares are listed on the Shenzhen Stock Exchange (stock code: 002242), and a subsidiary of the Company
"JS Holding"	JS Holding Limited Partnership, a company incorporated in the Cayman Islands, and an immediate holding company and the ultimate holding company of the Company
"Latest Practicable Date"	April 19, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing"	listing of the Shares on the Main Board of the Stock Exchange

Definitions

"Listing Date"	December 18, 2019, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum and Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted and effective from the Listing Date and as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated December 9, 2019 in connection with the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"RMB"	the lawful currency of the PRC
"RSU(s)"	the restricted stock unit(s) of the Company
"RSU Committee"	a committee comprising certain members of the Board, duly established by the Board on August 25, 2020 pursuant to the restricted stock units plan approved and adopted by the Company on October 9, 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Lihong"	Shanghai Lihong Enterprise Management Limited (上海力鴻企業管理有限公司), a company incorporated in the PRC and a subsidiary of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of US$0.00001 each in the share capital of our Company
"SharkNinja SPV"	SharkNinja Global SPV, Ltd. (formerly known as Compass Cayman SPV, Ltd.), an exempted company incorporated under the laws of the Cayman Islands on June 27, 2017, and a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"U.S."or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	the lawful currency of the United States
"%"	per cent

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