VESYNC CO., LTD

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2148

2024
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yang Lin *(Chairperson and Chief Executive Officer)*
Mr. Yang Hai
Mr. Chen Zhaojun *(Chief Financial Officer)*

Non-executive Director

Mr. Yang Yuzheng

Independent Non-executive Directors

Mr. Fong Wo, Felix
Mr. Gu Jiong
Mr. Tan Wen

AUDIT COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Fong Wo, Felix
Mr. Tan Wen

REMUNERATION COMMITTEE

Mr. Fong Wo, Felix *(Chairman)*
Mr. Gu Jiong
Mr. Tan Wen
Ms. Yang Lin
Mr. Yang Hai

NOMINATION COMMITTEE

Ms. Yang Lin *(Chairperson)*
Mr. Gu Jiong
Mr. Fong Wo, Felix
Mr. Tan Wen
Mr. Yang Hai

AUTHORISED REPRESENTATIVES

Ms. Yang Lin
Ms. Zhang Xiao

COMPANY SECRETARY

Ms. Zhang Xiao *ACG, HKACG*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
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KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE UNITED STATES

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United States

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shenzhen City
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point
Hong Kong

LEGAL ADVISER

As to Hong Kong law

Jingtian & Gongcheng LLP
Suites 3203–3207
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The Landmark
15 Queen's Road Central
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 BANKS

U.S. Bank Newport Beach Branch
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Newport Beach, CA 92660
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DBS Bank (Hong Kong) Limited
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Hong Kong

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1/F, Block 1, Shengtaoshajunyuan
Xinhu Road, Xixiang Street, Bao'an District
Shenzhen
China

HSBC Bank (China) Co., Ltd., Shenzhen Branch
8/F, China Resources Building
Luohu District
Shenzhen
China

STOCK CODE

2148

COMPANY'S WEBSITE

www.vesync.com

FIVE YEAR FINANCIAL SUMMARY

	FY2024 US$'000	FY2023 US$'000	FY2022 US$'000	FY2021 US$'000	FY2020 US$'000
Revenue	**652,640**	585,484	490,378	454,250	348,922
Gross profit	**306,578**	274,372	142,289	176,107	152,419
Profit/(loss) before tax	**111,485**	87,472	(21,841)	51,009	60,057
Profit/(loss) for the year attributable to owners of the parent	**93,048**	77,481	(16,276)	41,588	54,723
Total comprehensive income/(loss) for the year attributable to owners of the parent	**87,098**	77,184	(20,495)	42,685	56,752

	FY2024 US$'000	FY2023 US$'000	FY2022 US$'000	FY2021 US$'000	FY2020 US$'000
Assets:					
Non-current assets	**99,532**	59,247	61,229	45,138	30,602
Current assets	**550,268**	505,887	396,065	415,669	339,122
Total asset	**649,800**	565,134	457,294	460,807	369,724
Equity and liabilities:					
Share capital	**1,470**	1,500	1,500	1,503	1,449
Treasury shares	**—**	(7,856)	—	—	—
Share premium	**129,115**	172,273	186,955	199,885	189,625
Reserves	**238,731**	161,599	89,043	113,250	69,057
Non-controlling interests	**—**	—	(41)	—	—
Total equity	**369,316**	327,516	277,457	314,638	260,131
Non-current liabilities	**10,916**	9,370	11,585	13,353	12,198
Current liabilities	**269,568**	228,248	168,252	132,816	97,395
Total liabilities	**280,484**	237,618	179,837	146,169	109,593
Total equity and liabilities	**649,800**	565,134	457,294	460,807	369,724

OUR MISSION AND VISION

We are committed to helping users "build a better living" and becoming "the intelligent ecology that understands users best", namely, "creating opportunities for our customers, employees and business partners to realize their dreams through technology and innovation".

OUR HARD-EARNED ACHIEVEMENTS WITNESS THE COMPANY'S UNRELENTING EFFORTS

In 2024, our revenue and profit attributable to the owners of the parent reached another new highs. We recorded revenue of approximately US$652.6 million, with a gross profit of approximately US$306.6 million, representing an increase of approximately 11.5% and 11.7%, respectively, as compared to that of the same period in 2023. The profit attributable to the owners of the parent amounted to approximately US$93.0 million, marking a further breakthrough. In addition to reaching new highs in revenue and profit attributable to the owners of the parent, our net cash flows from operating activities amounted to approximately US$144.8 million (2023: approximately US$106.1 million), continuously representing explosive growth. Strong cash flows provided us with sufficient guarantees for our user centered innovative product development, channel expansion, regional expansion, comprehensive integrated marketing, and operational efficiency optimization.

In 2024, the market share of our products achieved or continued to remain first place in multiple markets. According to the statistics of Circana, Inc. ("**Circana**")[Note 1], our Levoit air purifiers and air humidifiers continued to make breakthroughs, ranking first in omni-channel shares in the U.S. from the dimensions of sales amount and sales volume, and we have become the leader in these two product categories in the U.S. market. At the same time, according to the Company's internal information, Levoit air purifiers and air humidifiers have rapidly expanded into the European market, and both have achieved the first place in sales share in the Amazon channel of Germany, the United Kingdom, Spain, France, and Italy. After a year of dedicated efforts, Levoit vacuum cleaners continued the success of air purifiers and humidifiers. In 2024, it has achieved the first place in the Best Seller highest ranking of cordless stick vacuum cleaner category in the Amazon channel in the United States and Germany, according to the Company's internal information. Our Cosori air fryers continued to achieve the No. 1 ranking in terms of sales share in the Spanish and Norwegian markets (according to the statistics of **GfK**[Note 2]) and achieved a higher ranking in the Amazon channel air fryer sales share in other European countries.

In 2024, we made further breakthroughs in expanding our non-Amazon channels. The percentage of revenue from non-Amazon channels to total revenue increased to approximately 25.5% from approximately 22.0% in the same period in 2023, representing an increase of approximately 3.5 percentage points. In the North American market, we continued to increase the category of products available in mainstream retailers, newly launching seven types of products to Target as well as three types of products to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully detonated three types of products. According to the Company's internal information, in the Asia-Pacific market, we have entered countries or regions such as Singapore, Malaysia, Thailand, Japan and the Middle East, adding around 600 new stores in 2024 and more than 2,500 stores of mainstream retailers as of December 31, 2024, which have helped us expand our sales share in the Asia-Pacific market.

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

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

CHAIRPERSON'S STATEMENT

In 2024, we continued to invest and refine in product research and development and quality control, and our product development capability has been strengthened through practice. We launched more new products or categories to meet the diverse and personalized needs of consumers based on in-depth insight into user needs, such as high-standard quiet, high-airflow, and energy-efficient circulation fans, as well as new tower fan models; an air fryer with a switchable 10-liter or dual 5-liter cooking space to adapt to various household scenarios; a body scale featuring first-of-its-kind calibration-free technology to provide users with more accurate and realistic body fat measurements; and a smart pet feeder that allows for remote feeding and monitoring of pets' eating behaviors at home. These new products effectively complement our existing product portfolio, further contributing to the expansion of our brand's market share.

During the scale expansion of a company, as the scale expands, it is of utmost importance to build organizational capabilities that can support business growth. Different stages present distinct challenges, yet once these challenges are overcome, they can provide support for long-term future development. In 2024, the enhancement and robust support of our organizational capabilities enabled our business growth. We have continuously improved our management system and enhanced the capabilities of our teams. Driven by our mission and guided by user needs, our management team, with an open and enterprising mindset, has been propelling the enterprise towards a higher level of development.

2025 OUTLOOK

At the beginning of 2025, we are faced with numerous challenges, including heightened geopolitical tensions and the intensification of tariff barriers. Amid such complex and ever-changing environment, we need to continuously enhance our capabilities and find more certainties to maintain the sustainable growth of our business. The changing market environment and the imposed tariffs are indeed sources of pressure for us, but at the same time, they can also serve as barriers to competition. The key lies in our ability to adapt to such environmental changes.

In 2025, we will focus on improving our business capabilities, with an emphasis on understanding user needs as the core, so as to strengthen our product innovation capabilities. By optimizing the development process and improving the allocation of core talents, we will continuously enhance the efficiency of product research and development and accelerate the launch of new products, thereby facilitating the sustainable growth of our business. Meanwhile, we will strengthen our brand building. As a symbol of customer trust and a core asset for the long-term development of the enterprise, our brand building will further focus on value accumulation, aiming to enhance the market competitiveness and influence of our products and services. In addition to product and brand building, we will also accelerate our channel expansion. By continuously optimizing the channel layout, we will enhance our ability to reach users with our products, thereby injecting new impetus into business growth. To better support our product, brand, and channel development, we will implement further optimizations on critical operations across the entire product value chain in 2025. We will strive to establish efficient and seamless connectivity across all aspects along the value chain from consumer insights to product R&D, customer engagement to final sales, and feedback collection to product iteration. This integrated approach will create a cohesive closed-loop system that significantly enhances end-to-end process efficiency. The foundation of these goals lies in building a high-performance organization. Through resource alignment and streamlined decision-making processes, we will drive organizational precision and operational excellence to ensure robust strategy execution. Moving beyond 2025, we are committed to delivering greater value to consumers and fostering a more dynamic organization with strengthened market positioning.

Last but not least, I would like to thank the management and employees for their efforts and dedication. I would also like to express my sincere gratitude to all our business partners, customers and shareholders for their vigorous support and confidence in the Group!

Yang Lin
Chairperson of the Board

March 17, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

Over the past few years, we continued to invest in and upgrade our product development capabilities, and are committed to operating our brands in a multi-dimensional manner and strengthening our efforts to expand into non-Amazon channels. We expanded our veteran management and team, adhered to independent technology development and innovative design, and continually optimized our product development process. These investments have already made a positive impact on our results.

In 2024, we witnessed continuous growth in sales revenue and further improvement in profitability. The Group recorded revenue of approximately US$652.6 million, with a gross profit of approximately US$306.6 million and a profit attributable to the owners of the parent amounting to approximately US$93.0 million (2023: approximately US$77.5 million), representing an increase of approximately 11.5%, 11.7%, and 20.1%, respectively, as compared to that of the same period in 2023. As a result of the Group's continuous efforts to enhance and accumulate its capabilities in various aspects, including but not limited to product excellence, channel development, regional expansion, operational efficiency, and brand promotion, we have achieved favorable market performance and significantly improved profitability in 2024.

In terms of market share of products, our main product categories ranked first in many markets. According to the statistics of Circana, Inc. ("**Circana**")[Note 1], the sales and the sales volume share of Levoit air purifiers and air humidifiers in the U.S. market continued to expand and rank No. 1 in the U.S. market, and accounted for approximately 33.0% and 23.3% of the sales share respectively, in which the sales share of air purifiers increased by approximately 4.4 percentage points as compared to that of the same period in 2023. At the same time, according to the Company's internal information, Levoit air purifiers and air humidifiers have rapidly expanded into the European market, and both have achieved the first place in sales share in the Amazon channel of Germany, the United Kingdom, Spain, France, and Italy. After a year of dedicated efforts, Levoit vacuum cleaners continued the success of air purifiers and humidifiers. In 2024, it has achieved the first place in the Best Seller highest ranking of cordless stick vacuum cleaner category in the Amazon channel in the United States and Germany, according to the Company's internal information. With the adoption of multi-form promotion methods, Cosori air fryers still continue to rank first in terms of sales share in the Spanish and Norwegian markets (according to the statistics of **GfK**[Note 2]) and achieved a higher ranking in the Amazon channel air fryer sales share in other European countries. In addition, according to the Company's internal information, the Company's Etekcity body scales, kitchen scales, infrared thermometers, Cosori food dehydrators and electric kettles, all continuously achieved the first place in market share on the American Amazon channel, which fully demonstrates that the Company can keep rapid growth and iteration in terms of user insights and innovation, cross-channel research and development, global value chain control, streamlined and agile operation, brand expansion and multi-dimensional marketing, so as to stand out in the competition with other well-known brands.

In terms of channels expansion, the revenue from non-Amazon channels in 2024 increased by approximately 29.0%, as compared to that of the same period in 2023. Revenue from non-Amazon channels to total revenue increased to approximately 25.5% from approximately 22.0% in the same period in 2023, representing an increase of approximately 3.5 percentage points. In the North American market, we continued to increase the category of products available in mainstream retailers, newly launching seven types of products to Target as well as three types of products to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully detonated three types of products. According to the Company's internal information, in the Asia-Pacific market, we have entered countries or regions such as Singapore, Malaysia, Thailand, Japan and the Middle East, adding around 600 new stores in 2024 and more than 2,500 stores of mainstream retailers as of December 31, 2024, which have helped us expand our sales share in the Asia-Pacific market.

In terms of regional expansion, revenue from the North American market reached approximately US$480.5 million, representing an increase of approximately 11.8% as compared to that of the same period in 2023, mainly due to the rapid expansion of non-Amazon channels, an increase of approximately 45.2% compared to that of the same period in 2023; revenue from the European market in 2024 was approximately US$131.1 million, an increase of approximately US$5.4 million or approximately 4.3% compared to the same period in 2023. Compared to the same period in 2023, the Company's revenue in Germany and the United Kingdom has increased significantly, increased by approximately 50.3% and approximately 24.4%, respectively; the Asian market was experiencing rapid growth, with revenue of approximately US$41.0 million, an increase of approximately 37.7% compared to that of the same period in 2023, mainly driven by the Japanese and the Middle Eastern markets.

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

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

We continued to invest in product development and quality control, and our product development capability has been strengthened through practice. In 2024, we launched more new products or categories to meet the diverse and personalized needs of consumers based on in-depth insight into user needs, such as high-standard quiet, high-airflow, and energy-efficient circulation fans, as well as new tower fan models; an air fryer with a switchable 10-liter or dual 5-liter cooking space to adapt to various household scenarios; a body scale featuring first-of-its-kind calibration-free technology to provide users with more accurate and realistic body fat measurements; and a smart pet feeder that allows for remote feeding and monitoring of pets' eating behaviors at home. These new products serve as a powerful supplement to our existing product portfolio, further helping us enhance our brand's market share.

For smart home solution providers, we have gradually evolved from single-product intelligence to multi-scene intelligence to constantly enrich and enhance consumers' experience, so as to increase the chances of selling more products and raising product premiums. We strengthen the software and products interconnection technologies to create an integrated product experience and provide consumers with professional content and services to make our products more efficient, convenient and personalized, which in turn will contribute to the synergy effects between our hardware product sales, VeSync App users and registrations. As of December 31, 2024, the number of activated devices and users registered with the VeSync App continued to grow to approximately 9.4 million units and 9.6 million users, respectively, with an increase of approximately 40.3% and 43.3%, respectively, as compared with the same period in 2023.

As a company with international brands, we operate our brands in multiple dimensions to increase the recognition of our brands among consumers. We continued to consolidate our brand influence on online platforms. In addition to increasing the conversion rate of our products by optimizing our promotional strategies on e-commerce platforms, we have also strengthened investments in social media operations with a focus on the operation of our official accounts on Facebook, Youtube, TikTok, X and other platforms in North American, European and Asian markets by frequently posting videos of our products and other content, interacting with our fans and cooperating with key opinion leaders to increase our brand exposure and help our products meet customer expectations. In 2024, our brand's marketing capabilities were significantly enhanced. The cumulative number of our global fans reached no less than approximately 1.6 million; the number of videos or live streams related to our products was no less than approximately 230,000, with the total number of views no less than approximately 1.5 billion. We also organized physical product experience events, participated in international exhibitions and held offline products exhibition to communicate with consumers deeply, thereby increasing their understanding of our brand. In addition, we actively engage into environmental protection to show the positive power. We advocate low carbon and environmental protection through our products, and carry out public welfare activities to help the disadvantaged groups.

FINANCIAL REVIEW

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

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

In 2024, the Group's overall revenue amounted to approximately US$652.6 million, representing an increase of approximately 11.5% as compared to approximately US$585.5 million recorded for the year ended December 31, 2023. Our success in channels expansion and market share expansion of existing categories and new categories significantly drove the sales of various home products in terms of quantities sold, including air purifiers, air purifier filters, tower fans, vacuum cleaners, etc. In terms of channel expansion, we continue to increase the category of products available in mainstream retailers, newly launching seven types of products to Target and three types of products to Best Buy, respectively. At the same time, we have focused on developing the TikTok retail channel, and have successfully detonated sales of three types of products. Our products, such as Levoit air humidifier and air purifier, ranked first in terms of sales amount in the United States market according to the statistics of Circana. Meanwhile, according to the Company's internal information, Levoit air purifiers and air humidifiers have rapidly expanded into the European market, achieving the highest sales share in the Amazon channels in Germany, the United Kingdom, Spain, France, and Italy. After a year of dedicated cultivation, Levoit vacuum cleaners continued the success of air purifiers and air humidifiers; in 2024, it has achieved the first place in the Best Seller ranking of cordless stick vacuum cleaner category in the Amazon channel in the United States and Germany, according to the Company's internal information. With the adoption of multi-form promotion methods, Cosori air fryers continue to have the highest sales share in the Spanish and Norway markets (according to GfK statistics) and a higher ranking in the air fryers category share of Amazon channel in other European countries.

Business Review by Sales Channels

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

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

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

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

The revenue of the Group in the non-Amazon channels in 2024 increased significantly by approximately 29.0% as compared to that of 2023. The revenue growth of the Group was primarily due to the significant increase in in-store sales and vigorous exploration of new TikTok retail channel. As the reputation of our brands, products and our track records in chain retailers continues to grow, we have secured favorable shelf positions in key chain retailers and have continued to increase the number of products and shops in which we are present.

Business Review by Geographic Location

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

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

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

The revenue generated from the North American market increased by approximately 11.8% in 2024 as compared to that of 2023, primarily driven by the growth in revenue from non-Amazon channels. The revenue growth from these channels was mainly attributable to the increase in number of products available in stores and supermarkets and vigorous exploration of new TikTok retail channel.

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

The revenue generated from the Asian market increased by approximately 37.7% in 2024 as compared to that of 2023, primarily driven by the growth in revenue from the Japanese and the Middle Eastern markets.

Business Review by Brand

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

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER INCOME AND GAINS

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

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

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

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

SELLING AND DISTRIBUTION EXPENSES

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

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

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

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

ADMINISTRATIVE EXPENSES

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

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

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

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

OTHER EXPENSES

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

FINANCE COST

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

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

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

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

INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Cayman Islands and the British Virgin Islands ("BVI")

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

Mainland China

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

Singapore

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

United States

Pursuant to the relevant tax laws of the United States, taxable income arising in the United States is subject to a federal corporate income tax rate of 21% (2023: 21%) and state income tax rates ranging from 0.75% to 9.80% (2023: 0.75% to 9.00%).

Germany and the United Kingdom

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

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

EARNINGS ATTRIBUTABLE TO OWNERS OF THE PARENT

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group meets its capital needs through cash flows from operations and financing as a result of the net proceeds from the Global Offering. The Group had cash and cash equivalents of approximately US$104.3 million as of December 31, 2023 and approximately US$177.4 million as of December 31, 2024. The cash and cash equivalents of the Group are mainly denominated in RMB, US$ and EUR.

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

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

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

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

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

TREASURY POLICY

The Group adopts a prudent approach in its cash management and risk control. Most of the sales are denominated in US$, with the remaining mainly denominated in currencies of the countries to which the Group sells its products. The Group pays subcontractors and suppliers (including those located in the PRC) mainly in US$ and RMB. As a result of the foregoing, the Group's consolidated financial results are affected by currency exchange rate fluctuations. The Group recorded a currency exchange losses of approximately US$3.3 million for the year ended December 31, 2024 (2023: currency exchange gains of approximately US$3.5 million).

The Group manages its foreign exchange risk by using appropriate financial derivatives, and priority will be given to simple, cost-efficient and effective hedge instruments which meet the HKFRS 9 in performing foreign exchange risk management responsibilities. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

As of December 31, 2024, there were no significant investments held by the Group or future plans for significant investments or capital assets.

The Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2024.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2024, the Group had 1,408 employees in total, of which 1,253 employees were in the PRC, 137 employees were in the Unites States and 18 employees were in other locations. For the year ended December 31, 2024, the Group recognized staff costs of approximately US$87.0 million (2023: approximately US$78.8 million).

The Company believes that the ability to recruit and retain experienced and skilled labor is crucial to the Group's growth and development. The Group provides training to its new employees to familiarize them with the working environment and work culture. The Group also provides on-the-job training to the employees, which aims at developing their skills so as to meet the strategic goals and customer requirements. In addition to providing the Group's staff with opportunities to receive on-the-job trainings, the Group strives to create a harmonious and warm working and living environment for the staff. As of December 31, 2024, several culture webinars were held to drive forward our employees' understanding of the connection between product design and our end-users. The Group also adopted a training policy, pursuant to which training on management skills, technology and other relevant topics are regularly provided to the employees by internal lecturers and third-party consultants.

The Group enters into employment agreements with each of the employees in accordance with the applicable laws and regulations. The remuneration packages of the employees generally include basic salaries, bonuses and employee benefits such as medical insurance packages. The Group conducts annual review to identify employees with extraordinary performance and offers them promotions and salary raises. During the Reporting Period, the Group maintained social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, work-related injury and maternity benefits. Contributions made from the Group to the pension schemes are recognized as expenses when incurred and will not be reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the contributions. In addition, to provide incentive or reward to the employees for their contribution to, and continuing efforts to promote the interests of, the Group, the Company has adopted the Share Option Scheme and the Post-IPO Share Award Scheme.

The Remuneration Committee has been established to provide recommendations to the Board on the overall remuneration policy and structure of all Directors and senior management of the Group, review the remuneration and ensure that no Directors have determined their own remuneration, and review/approve matters relating to the Share Option Scheme and the Post-IPO Share Award Scheme.

TRADE AND NOTES RECEIVABLES

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

The credit period is generally 30 to 120 days. Some customers have a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

Note:

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

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

CHARGES ON ASSETS

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

GEARING RATIO

As of December 31, 2024, the Group's gearing ratio (calculated as the total debt (including interest-bearing bank and other borrowings, and lease liabilities) divided by total equity as of the end of each period) was approximately 8.8% (December 31, 2023: approximately 11.7%).

FUTURE OUTLOOK

We remain firmly committed to our core belief to foster connected lifestyles and make life better by creating smarter products under the brands of Levoit, Cosori, Etekcity and Pawsync. Going forward in 2025, we aim to keep focusing on our strategies: (i) further upgrade and expand our user-oriented product portfolio; (ii) intensify our efforts to expand non-Amazon channels, such as broadening our presence on TikTok and retail channels, enlarging our product portfolio in existing stores, introducing our products to new stores and getting access to more new chain retailers, thereby leveraging our brand recognition to unlock greater business potential from other sales channels; (iii) expand geographic coverage, especially deepen the market share of Cosori and Levoit products in the European market; (iv) continue to invest in technologies with an aim to develop VeSync App into a home IoT platform; and (v) strengthen brand operation from multiple dimensions to enhance consumer awareness of the brand.

We aim to further enhance our product portfolio, in particular smart home devices in the consumer space. In 2025, the Company will launch more new generation products, such as smart air purifiers, smart air fryers, smart pet feeders and smart fitness scales. In terms of brand marketing, we continue to increase the amount of video content to enhance brand reputation and reach target users deeply; in terms of channel expansion, more of our products have entered mainstream superstores and we have increased the share of non-Amazon channels.

PRIVATISATION PROPOSAL

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

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

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

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

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

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Yang Lin (楊琳), aged 51, is the founder of the Group. She was appointed as a Director on January 9, 2019 and designated as an executive Director on May 27, 2020. Ms. Yang is also the chairperson of the Board and the chief executive officer responsible for overall strategic planning and overseeing general management and daily operation of the Group. Ms. Yang holds directorships in each of the subsidiaries of the Group except Ecomine Co., Limited, ARCESUS (VIETNAM) CO., LTD and Vitasync Investment (HK) Co., Limited. She is also the chairperson of the nomination committee and a member of the remuneration committee of the Company. Ms. Yang has more than 19 years of experience in the small home appliance and smart home device industry. Prior to founding the Group in 2006, from January 2005 to March 2007, Ms. Yang worked at Community CPA & Associates Inc. with last position served as an office manager, where she was principally responsible for preparing financial statements and management proprietary report, tax filling and business consultation for business and individual clients. In anticipation of the business potential of the small home appliances and electronic gadgets market, Ms. Yang first commenced the trading business of small home appliances and electronic gadgets through establishing L&H Y U.S. in the United States in October 2006.

Ms. Yang obtained a master's degree in law from East China University of Political Science and Law (華東政法大學) in the PRC in December 2004.

Ms. Yang is the sister of Mr. Yang Hai, the executive Director and the daughter of Mr. Yang Yuzheng, the non-executive Director.

Mr. Yang Hai (楊海), aged 49, was appointed as an executive Director on May 27, 2020. Mr. Yang Hai is also the vice president of the Company principally responsible for overseeing sales, marketing and online operation of the Group. He is also a member of the remuneration committee and the nomination committee of the Company.

Mr. Yang has more than 21 years of experience in the communication technology industry. Prior to joining the Group in 2011 from June 2003 to September 2006, Mr. Yang worked as a software engineer at Asiainfo Technologies (China) Inc. (亞信科技有限公司), where he was principally responsible for billing system development. From September 2006 to June 2011, he worked at Ericsson (China) Communications Co., Ltd as a software engineer responsible for gateway server development. From November 2022 to April 2025, he served as an independent non-executive director of Howkingtech International Holding Limited (stock code: 2440), whose shares are listed on the Stock Exchange. In December 2011, Mr. Yang Hai joined Etekcity Corporation and has since served as the vice president of the Group.

Mr. Yang obtained a bachelor's degree in thermal energy and power engineering from Southeast University (東南大學) in the PRC in June 1996. He further obtained a master's degree in engineering from Shanghai Jiaotong University (上海交通大學) in the PRC in March 1999.

Mr. Yang Hai is the brother of Ms. Yang Lin, the executive Director and the son of Mr. Yang Yuzheng, the non-executive Director.

Mr. Chen Zhaojun (陳兆軍), aged 47, was appointed as an executive Director on May 27, 2020. Mr. Chen is also the chief finance officer and vice president of the Company principally responsible for overseeing financial management, internal control and compliance matters of the Group.

Mr. Chen has more than 21 years of experience in the accounting and business management industry. Prior to joining the Group in 2018, from September 2003 to June 2004 Mr. Chen worked as a senior project manager of investment department in ZTE Corporation (stock code: 763), a multinational company principally engaged in the manufacturing of telecom equipment whose shares are listed on the Stock Exchange. In July 2004, Mr. Chen joined MOBI Development Co., Ltd. ("**MOBI**") (stock code: 947) as a finance manager, a company principally engaged in the manufacturing and sales of wireless communication antennas and base station radio frequency subsystems whose shares are listed on the Stock Exchange, where he was subsequently promoted to the chief finance officer in August 2009 and was appointed as an executive director in July 2016. On July 13, 2018, Mr. Chen was redesignated from an executive director to a non-executive director and resigned as the chief finance officer on the same date. Mr. Chen then joined Shenzhen City Chenbei Technology Company Limited (深圳市晨北科技有限公司) in July 2018, and has served as the chief finance officer and vice president since then. In March 2019, Mr. Chen resigned as the non-executive director of MOBI. Mr. Chen currently holds directorships in the following subsidiaries of the Group: Ecomine Co., Limited, Yoowo Co., Limited, Etekcity Company Limited, VESYNC (SINGAPORE) PTE. LTD., VESYNC (UK) LIMITED, VESYNC (AUSTRALIA) PTY. LTD., Vitasync Investment (HK) Co., Limited and VESYNC ELECTRONICS L.L.C.

Mr. Chen obtained a bachelor's degree and a master's degree both in economics from Xiamen University (廈門大學) in the PRC in July 1999 and July 2002, respectively. He also obtained a master's degree in business administration from the Hong Kong University of Science and Technology in November 2014. Mr. Chen passed the exam of certified public accountants in the PRC in October 2006 and has been a member of the Association of Chartered Certified Accountants since February 2015.

Non-executive Director

Mr. Yang Yuzheng (楊毓正), aged 81, was appointed as a non-executive Director on May 27, 2020, and is principally responsible for providing advice on the management of the Group.

Mr. Yang Yuzheng has been retired since April 1999. Prior to his retirement, he had worked as a public servant in a number of government authorities, including United Front Revolutionary Committee of Industry and Communication of Maoming City, Guangdong Province (廣東省茂名市工交戰線革委), Organization Department of County Committee of Tongzi County, Guizhou Province (貴州省桐梓縣委組織部), Commission for Discipline Inspection of Tongzi County, Guizhou Province (貴州省桐梓縣紀律檢查委員會), United Front Work Department of the County Committee of Tongzi County, Guizhou Province (貴州省桐梓縣委統戰部), Commission of Ethnic and Religious Affairs of Tongzi County, Guizhou Province (貴州省桐梓縣民族宗教事務委員會), Bureau of Land and Restheces of Tongzi County, Guizhou Province (貴州省桐梓縣國土資源局) and Bureau of Natural Restheces of Tongzi County, Guizhou Province (貴州省桐梓縣自然資源局) for around 30 years.

Mr. Yang Yuzheng graduated from the South-Central Minzu University (中南民族大學) (formerly known as South Central Minzu College (中南民族學院)) majoring in Chinese language in the PRC in July 1967.

Mr. Yang Yuzheng is the father of Ms. Yang Lin and Mr. Yang Hai, both of whom are the executive Directors.

Independent Non-executive Directors

Mr. Fong Wo, Felix (方和), *BBS, JP*, aged 74, was appointed as the independent non-executive Director on December 1, 2020. Mr. Fong is responsible for supervising the management of the Group and providing independent judgement to the Board. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company.

Mr. Fong has practiced law for more than 40 years. Mr. Fong was admitted as a barrister and solicitor in Ontario, Canada in 1980, a solicitor in England and Wales in 1986, and in Hong Kong in 1987. He is a member of the Law Societies of Hong Kong, Upper Canada and England. Since August 1988, Mr. Fong has been with King & Wood Mallesons (formerly known as Robert Lee &Fong, Felix Fong & Hon, Fong & Ng, Arculli Fong & Ng and King & Wood) specializing in the areas of corporate and finance. From May 2000 to December 2008, Mr. Fong also served as a non-executive director of Cinda International Holdings Limited (stock code: 111), a financial institution principally engaged in corporate finance advisory, securities broking and asset management whose shares are listed on the Stock Exchange. From May 2010 to May 2016, Mr. Fong served as an independent non-executive director of China Oilfield Services Limited (中海油田服務有限公司), a company dually listed on the Stock Exchange (stock code: 2883) and Shanghai Stock Exchange (stock code: 601808) which is principally engaged in offshore oil and gas exploration, development and production. From April 2011 to July 2018, he served as an independent non-executive director of China Investment Development Limited (中國投資開發有限公司) (formerly known as Temujin International Investments Limited) (stock code: 204), a company principally engaged in investment in listed and unlisted securities whose shares are listed on the Stock Exchange. From October 2010 to March 2020, he served as an independent non-executive director of Evergreen International Holdings Limited (長興國際(集團)控股有限公司) (stock code: 238), a company principally engaged in the manufacturing and sales of menswear whose shares are listed on the Stock Exchange. From June 2012 to May 29, 2020, he served as an independent non-executive director of Sheen Tai Holdings Group Company Limited (順泰控股集團有限公司) (stock code: 1335), a company principally engaged in the manufacturing and sales of cigarette packaging materials whose shares are listed on the Stock Exchange. From May 2017 to June 9, 2020, he served as an independent non-executive director of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company principally engaged in the provision of biologics services whose shares are listed on the Stock Exchange. From June 8, 2015 to October 31, 2021, he served as an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司) (stock code: 2699), an investment holding company principally engaged in property development whose shares are listed on the Stock Exchange. From November 2022 to April 2025, he served as an independent non-executive director of Howkingtech International Holding Limited (stock code: 2440), whose shares are listed on the Stock Exchange.

Mr. Fong is currently an independent non-executive director of Bank of Shanghai (Hong Kong) Limited (上海銀行(香港) 有限公司), a company incorporated in Hong Kong with limited liability, and an independent non-executive director of the following companies listed on the Stock Exchange: Television Broadcasts Limited (電視廣播有限公司) (stock code: 511), Guangdong Land Holdings Limited (粵海置地控股有限公司) (stock code: 124, formerly known as Kingway Brewery Holdings Limited), Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) (stock code: 337, formerly known as SPG Land (Holdings) Limited).

Mr. Fong obtained a bachelor's degree in engineering from McMaster University in Canada in June 1974 and a Juris Doctor degree from Osgoode Hall Law School of York University in Canada in June 1978. Mr. Fong is appointed by the Ministry of Justice of the PRC (中華人民共和國司法部) as one of the China-appointed Attesting Officers in Hong Kong.

Mr. Gu Jiong (顧炯), aged 52, was appointed as an independent non-executive Director on December 1, 2020. Mr. Gu is responsible for supervising the management of the Group and providing independent judgement to the Board. He is also the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company.

From July 1995 to April 2004, Mr. Gu worked at Ernst & Young's Shanghai office and was the senior manager of audit department when he left the firm. From April 2004 to December 2009, Mr. Gu joined UTStarcom Telecom Co., Ltd. and its holding company UTStarcom Holdings Corp. (formerly known as UTStarcom. Inc.) (ticker symbol: UTSI), whose shares are listed on NASDAQ and is a global telecom infrastructure provider specialized in the provision of packet optical transport and broadband access products to network operators, where he was responsible for accounting and financial matters, and was the finance controller (財務總監) when he left the company in December 2009. From January 2010 to August 2013, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd. (stock code: 600637) (currently known as Oriental Pearly Media Co., Ltd (東方明珠新媒體股份有限公司)), whose shares are listed on Shanghai Stock Exchange and principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through a media source platforms where he was responsible for the financial matters of this company. From September 2013 to August 2016, Mr. Gu served as the chief financial officer of CMC Capital Partners (華人文化產業投資基金), an investment fund specializing in media and entertainment investments inside and outside the PRC. From January 2016 to October 2016 and from October 2016 to January 2019, Mr. Gu was a non-executive director and an alternative director to Hui To Thomas of Shaw Brothers Holdings Limited (stock code: 953), a company listed on the Stock Exchange, respectively. From June 2015 to June 2021, Mr. Gu was an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司) (stock code: 2699), a company listed on the Stock Exchange. From September 2018 to January 2023, Mr. Gu was an independent non-executive director of DaFa Properties Group Limited (大發地產集團有限公司) (stock code: 6111), a company listed on the Stock Exchange. From September 2016 to July 2023, Mr. Gu was an independent non-executive director of Amlogic (Shanghai) Co.,Ltd (晶晨半導體(上海)股份有限公司) (stock code:688099), the shares of which are listed on the Shanghai Stock Exchange. From September 2016 to July 2024, Mr. Gu was the director and the vice president of CMC Inc. (華人文化有限責任公司) ("CMC") (formerly known as CMC Holdings Limited), an investment platform focused on the media and entertainment investments. From November 2022 to April 2025, Mr. Gu was an independent non-executive director of Howkingtech International Holding Limited (stock code: 2440), whose shares are listed on the Stock Exchange.

Mr. Gu is currently the independent non-executive director of the following companies whose shares are listed on the Stock Exchange: Mulsanne Group Holding Limited (stock code: 1817), Ascletis Pharma Inc. (歌禮製藥有限公司) (stock code: 1672) and Mao Geping Cosmetics Co., Ltd. (毛戈平化妝品股份有限公司) (stock code: 1318). Additionally, he is an executive director of Shaw Brothers Holdings Limited (邵氏兄弟控股有限公司) (stock code: 953), whose shares are listed on the Stock Exchange.

Mr. Gu obtained a bachelor's degree in financial management from Fudan University (復旦大學) in the PRC in July 1995. He is currently a non-practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Tan Wen (檀文), aged 50, was appointed as an independent non-executive Director on December 1, 2020. Mr. Tan is responsible for supervising the management of the Group and providing independent judgement to the Board. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company.

Mr. Tan has over 24 years of experience in the field of investment banking and domestic and foreign venture capital investment focusing on healthcare, retail and consumer sectors. From February 2000 to August 2003, Mr. Tan worked as a business development manager at Singapore Computer Systems Limited, an IT system service provider, where he was responsible for market and industry research, and business development, investment, merger and acquisition in e-commerce area. From August 2003 to May 2005, Mr. Tan worked as a technology investment manager at Singapore Technologies Dynamics Pte Ltd ("**STD**"), an engineering systems service provider, where he was responsible for market and industry research, and business development, investment, merger and acquisition in emerging technology area. STD was a subsidiary of Singapore Technologies Engineering Ltd (stock code: S63), a company principally engaged in offering services and products specializing in the aerospace, electronics, land systems and marine sectors whose shares are listed on the Singapore Stock Exchange. From May 2005 to July 2007, Mr. Tan served as an associate director of China Euro Securities Co., Ltd (華歐國際證券有限責任公司). From June 2007 to October 2013, he served as a vice president at Capital Today Growth (HK) Limited principally responsible for originating, evaluating investment opportunities and monitoring the existing portfolio companies. From October 2013 to September 2021, Mr. Tan served as the managing director of the Shanghai office of Industrial Innovation Capital Management Co., Ltd (興證創新資本管理有限公司), a subsidiary of Industrial Securities Co., Ltd (興業證券股份有限公司) (stock code: 01377) ("**Industrial Securities**"). Industrial Securities is a company principally engaged in the provision of financial services and whose shares are listed on the Shanghai Stock Exchange. Since September 2021, Mr. Tan served as deputy general manager of Guoxing (Xiamen) Investment management Ltd, a private equity investment company. From December 2015 to November 2021, Mr. Tan was a director of Elite Color Environmental Resources Science & Technology Co., Ltd (優彩環保資源科技股份有限公司) (stock code: 002998), a company listed on the Shenzhen Stock Exchange. From May 2020 to March 2022, Mr. Tan was a director of Fujian Snowman Co., Ltd (福建雪人股份有限公司) (stock code: 002639), a company listed on the Shenzhen Stock Exchange. Since October 2021, Mr. Tan served as the director of Success Biotech Co., Ltd, a company mainly engaged in the manufacture and sale of implanted medical equipment in mainland China.

Mr. Tan obtained a bachelor's degree in electronic materials and components from Tianjin University (天津大學) in the PRC in July 1995. He then obtained a master's degree in business administration from the National University of Singapore in Singapore in March 2000. He subsequently obtained a doctor's degree in global economics from Fudan university (復旦大學) in the PRC in January 2018. Mr. Tan was qualified as a Financial Risk Manager as certified by the Global Association of Risk Professionals in April 2006 and has been a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since June 2014. He was also certified as a chartered financial analyst of the Association for Investment Management and Research (currently known as CFA Institute) in September 2003.

SENIOR MANAGEMENT

Ms. Yang Lin (楊琳). Please refer to "Directors — Executive Directors" above in this section for details of biography of Ms. Yang Lin.

Mr. Yang Hai (楊海). Please refer to "Directors — Executive Directors" above in this section for details of biography of Mr. Yang Hai.

Mr. Chen Zhaojun (陳兆軍). Please refer to "Directors — Executive Directors" above in this section for details of biography of Mr. Chen Zhaojun.

REPORT OF DIRECTORS

The Board is pleased to present this annual report and the audited financial statements of the Group for the year ended December 31, 2024.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on January 9, 2019 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on December 18, 2020 through the Global Offering.

SHARE CAPITAL

Details of the share capital of the Company during the Reporting Period are set out in note 30 to the financial statements.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group is a key player in the small domestic appliance markets in the United States ("**the U.S.**") and Europe, with brands like LEVOIT, COSORI, PAWSYNC and ETEKCITY. They offer home, kitchen, and healthcare appliances sold in numerous countries and regions globally.

BUSINESS REVIEW

The Group's business review for the Reporting Period and future business development are set out in the sections headed "Chairperson's Statement" and "Management Discussion and Analysis" of this annual report. The key financial performance indicators used in the Group's performance analysis for the Reporting Period are set out in the section headed "Five Year Financial Summary" of this annual report.

DIVIDEND POLICY

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. The declaration of or recommendation of declaration of dividends is subject to the sole discretion of the Board. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group.

In deciding whether to recommend the payment of dividend to Shareholders, the Board will take into account various factors, including but not limited to, general business conditions, the financial condition and results of operations, the capital requirements and future prospects of the Group.

The payment of dividend is also subject to applicable laws and regulations and the Company's constitutional documents.

FINAL DIVIDEND

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

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely, Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Tan Wen, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2024, including the accounting principles and practices adopted by the Group and has recommended for the Board's approval thereof. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

RESERVES

Details of movements in the reserves of the Company during the Reporting Period are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the amount of reserves available for distribution of the Company was approximately US$134.7 million (December 31, 2023: approximately US$170.3 million).

DONATIONS

During the Reporting Period, the Group made charitable donations of approximately US$64,304 (2023: approximately US$123,889).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares have been listed on the Main Board of the Stock Exchange since December 18, 2020. The net proceeds from the Global Offering (after the full exercise of the over-allotment option) after deducting the underwriting fees and commissions and related expenses was HK$1,662.9 million (the "**Net Proceeds**"). The Group will continue to utilize the net proceeds from the Global Offering as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The intended application of the net proceeds as stated in the Prospectus and the actual utilization of the net proceeds from the Global Offering up to December 31, 2024 was as below:

Purpose	Approximate Percentage of total amount	Allocation of Net Proceeds HK$ million	Unutilized as of December 31, 2023 HK$ million	Utilized during the Reporting Period HK$ million	Unutilized as of the end of the Reporting Period HK$ million	Expected timeline for the use of unutilized Net Proceeds(Note 1)
1. Research and development of new products and upgrade and iteration of existing products						
Research and development of new products	15%	249.4	71.1	71.1	0	By December 2025(Note 2)
Upgrade and iterate existing products	5%	83.2	0	0	0	—
Upgrade R&D design facilities and R&D management system	5%	83.2	64.6	8.1	56.5	By December 2025(Note 2)
Enhance testing capability	5%	83.2	32.4	23.2	9.2	By December 2025(Note 2)
2. Expand our sales channels and geographic coverage and enhance brand awareness						
Expand sales channels and market presence in existing major markets	8%	133.0	0	0	0	—
Expand and solidify market presence in regions	8%	133.0	81.7	11.5	70.2	By December 2025(Note 2)
Devote more resources in brand promotion	9%	149.7	0	0	0	—
3. Upgrade VeSync App into a home IoT platform						
Build and expand talent pools in cloud infrastructure, IoT technology, data technology	10%	166.3	0	0	0	—
Acquire or partner with companies in the data technology industry	15%	249.4	147.4	0	147.4	By December 2025(Note 2)
4. Develop and launch smart solutions, including smart security solutions, for business customers						
Research and development of smart solutions for business customers	5%	83.1	47.1	9.8	37.3	By December 2025(Note 2)
Expand North America market of smart solutions for business customer	5%	83.1	32.8	11.2	21.6	By December 2025(Note 2)
5. Working capital	10%	166.3	0	0	0	—
Total		1,662.9	477.1	134.9	342.2	

Notes:

1. The Net Proceeds have been and will be used according to the purposes as stated in the Prospectus, and there are no material change in the use of proceeds.

2. The expected timeline for the planned use of proceeds was by December 2024 as disclosed in the 2023 Annual Report. Due to the market uncertainty and instability, the Board has adopted a more prudent approach to prioritise maintaining the Group's daily operations and slowdown its implementation of future plans, resulting in a delay in the use of proceeds as disclosed above.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's aggregate sales to the five largest customers of the Group amounted to approximately US$541.4 million, representing approximately 82.9% of the Group's total revenue; and sales to the largest customer of the Group (without considering retail customers from Amazon's Seller Central program or other sales channels) amounted to approximately US$468.1 million, representing approximately 71.7% of the Group's total revenue.

During the Reporting Period, purchase value from the five largest suppliers of the Group amounted to approximately US$153.9 million, representing approximately 54.0% of the Group's total purchase value; and purchase value from the largest supplier of the Group amounted to approximately US$43.5 million, representing approximately 15.3% of the Group's total purchase value.

During the Reporting Period, to the best 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 Group.

DIRECTORS

The Directors for the Reporting Period and up to the Latest Practicable Date were:

Executive Directors

Ms. Yang Lin *(Chairperson and chief executive officer)*
Mr. Yang Hai
Mr. Chen Zhaojun *(Chief financial officer)*

Non-executive Director

Mr. Yang Yuzheng

Independent Non-executive Directors

Mr. Fong Wo, Felix
Mr. Gu Jiong
Mr. Tan Wen

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

Each of the executive Directors has entered into a renewal of service contract with the Company for a term of three years commencing from December 2, 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of renewal of appointment with the Company for a term of three years commencing from December 19, 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors has entered into any service contract/letter of appointment 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).

CHANGE IN INFORMATION OF DIRECTORS

Below is the change of Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Ms. Yang Lin, an executive Director, holds directorships in Zhangjiagang Chenbei Intelligent Home Co., Ltd. (established in September 2024) and VESYNC ELECTRONICS L.L.C (established in January 2025), both companies are subsidiaries of the Group.

Mr. Gu Jiong, an independent non-executive Director, was appointed as an independent non-executive director of Mao Geping Cosmetics Co., Ltd. (毛戈平化妝品股份有限公司) (stock code: 1318) on April 1, 2024. Additionally, he was appointed as an executive director of Shaw Brothers Holdings Limited (邵氏兄弟控股有限公司) (stock code: 953) on March 14, 2025. Mr. Gu had resigned as independent non-executive directors of Howkingtech International Holding Limited (濠暻科技國際控股有限公司) (stock code: 2440), with effect from April 1, 2025.

Mr. Yang Hai, an executive Director, and Mr. Fong Wo, Felix, an independent non-executive Director, have resigned as independent non-executive directors of Howkingtech International Holding Limited (濠暻科技國際控股有限公司) (stock code: 2440), with effect from April 1, 2025.

Mr. Chen Zhaojun, an executive Director, holds directorships in the following subsidiaries of the Group as of the Latest Practicable Date: Ecomine Co., Limited, Yoowo Co., Limited, Etekcity Company Limited, VESYNC (SINGAPORE) PTE. LTD., VESYNC (UK) LIMITED, VESYNC (AUSTRALIA) PTY. LTD., Vitasync Investment (HK) Co., Limited and VESYNC ELECTRONICS L.L.C.

Save as disclosed above and in this annual report, there was no information of Directors which shall be disclosed under Paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group under Rule 8.10 of the Listing Rules.

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

Saved as disclosed in note 35 to the financial statements, there were no 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 an entity connected with the Directors or the controlling shareholders of the Company had a material interest, whether directly or indirectly, during Reporting Period.

MANAGEMENT CONTRACTS

During the Reporting Period, 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 CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or 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:

Interest in Shares and underlying Shares

Name of Director or chief executive	Capacity/ Nature of interest	Long position/ short position	Number of Shares	Number of underlying Shares	Total	Approximate percentage of interest in the Company
Ms. Yang Lin(2)(5)	Founder of a discretionary trust who can influence how the trustee exercises his discretion	L(10)	406,040,800	—		
	Interests held jointly with another person	L(10)	372,786,400	1,350,000		
	Beneficial owner	L(10)	7,933,000	1,150,000		
					789,260,200	69.26%
Mr. Yang Hai(3)(5)	Interest of corporation controlled	L(10)	8,067,200	—		
	Interests held jointly with another person	L(10)	778,693,000	1,350,000		
	Beneficial owner	L(10)	—	1,150,000		
					789,260,200	69.26%
Mr. Yang Yuzheng(4)(5)	Interest of corporation controlled	L(10)	364,719,200			
	Interests held jointly with another person	L(10)	422,041,000	2,300,000		
	Beneficial owner	L(10)	—	200,000		
					789,260,200	69.26%
Mr. Chen Zhaojun(6)	Beneficial owner	L(10)	3,681,667	2,483,333	6,165,000	0.54%
Mr. Fong Wo, Felix(7)	Beneficial owner	L(10)	—	200,000	200,000	0.018%
Mr. Gu Jiong(8)	Beneficial owner	L(10)	—	200,000	200,000	0.018%
Mr. Tan Wen(9)	Beneficial owner	L(10)	—	200,000	200,000	0.018%

Notes:

1. The calculation is based on the total number of 1,139,492,800 Shares in issue as of December 31, 2024.

2. Each of Karis I LLC and Karis II LLC is wholly owned by North Point Trust Company LLC., the trustee of the Annuity Trusts, on trust for the benefit of the Annuity Trusts, which were established by Ms. Yang for the ultimate benefit of the Family Trusts, pursuant to certain arrangements. The Family Trust I and Family Trust II were established by Ms. Yang as both the settlor and the trustee, and the beneficiaries of which are any children born to or adopted by Ms. Yang and their respective issue, and Mr. Ryan Xu, being Ms. Yang's child, during his lifetime, and any charitable organizations to be subsequently determined by the independent trustee (if any) at its discretion upon its appointment, respectively. Pursuant to the Annuity Trusts, Ms. Yang, as the powerholder, has the power to appoint additional trustees and remove and replace North Point Trust Company LLC., and as the sole manager of Karis I LLC and Karis II LLC, has the authority to make all decisions in relation to them. Ms. Yang is deemed to be interested in both Karis I LLC and Karis II LLC, and is therefore deemed to be interested in any Shares in which each of Karis I LLC and Karis II LLC is interested.

   Ms. Yang Lin is interested in 1,150,000 share options granted to her under the Share Option Scheme to subscribe for 1,150,000 Shares.

3. Arceus Co., Ltd holds 8,067,200 Shares. Arceus Co., Ltd is wholly owned by Mr. Yang Hai. Mr. Yang Hai is therefore deemed to be interested in any Shares in which Arceus Co., Ltd is interested.

   Mr. Yang Hai is interested in 1,150,000 share options granted to him under the Share Option Scheme to subscribe for 1,150,000 Shares.

4. Caerus Co., Ltd holds 364,719,200 Shares. Caerus Co., Ltd is wholly owned by Siempre PTC LLC, which is the trustee of Acevation Trust. Mr. Yang Yuzheng is the trustor of Acevation Trust, and retains the right to revoke and amend the trust agreement during his lifetime.

   Mr. Yang Yuzheng is interested in 200,000 share options granted to him under the Share Option Scheme to subscribe for 200,000 Shares.

5. Each of Ms. Yang Lin, Mr. Yang Yuzheng and Mr. Yang Hai is family member of one another, and is therefore deemed to be interested in any Shares in which one another is interested.

6. Mr. Chen Zhaojun is interested in 2,000,000 share options granted to him under the Share Option Scheme to subscribe for 2,000,000 Shares. Additionally, he is interested in 483,333 award shares granted to him under the Post-IPO Share Scheme. The 483,333 award shares shall be vested in accordance with the following vesting schedule: 241,667 share awards shall be vested in 2025; 241,666 share awards shall be vested in 2026.

7. Mr. Fong Wo, Felix is interested in 200,000 share options granted to him under the Share Option Scheme to subscribe for 200,000 Shares.

8. Mr. Gu Jiong is interested in 200,000 share options granted to him under the Share Option Scheme to subscribe for 200,000 Shares.

9. Mr. Tan Wen is interested in 200,000 share options granted to him under the Share Option Scheme to subscribe for 200,000 Shares.

10. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, so far as the Directors are aware, as of December 31, 2024, 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, 2024, 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:

Interest in Shares and underlying Shares

Name	Capacity/ Nature of interest	Long position/ short position	Number of Shares	Number of underlying Shares	Total	Approximate percentage of interest in the Company
North Point Trust Company L.L.C.[(2)]	Trustee	L[(7)]	406,040,800	—	406,040,800	35.63%
Karis I LLC[(2)]	Beneficial owner	L[(7)]	243,624,800	—	243,624,800	21.38%
Karis II LLC[(2)]	Beneficial owner	L[(7)]	162,416,000	—	162,416,000	14.25%
Siempre PTC LLC[(3)]	Trustee	L[(7)]	364,719,200	—	364,719,200	32.01%
SWCS Trust Limited	Trustee	L[(7)]	67,829,083	—	67,829,083	5.95%
Caerus Co., Ltd[(3)]	Beneficial owner	L[(7)]	364,719,200	—	364,719,200	32.01%
Mr. Xu Bo[(4)]	Interest of spouse	L[(7)]	786,760,200	2,500,000	789,260,200	69.26%
Ms. Li Jisu[(5)]	Interest of spouse	L[(7)]	786,760,200	2,500,000	789,260,200	69.26%
Ms. Chen Shuyong[(6)]	Interest of spouse	L[(7)]	786,760,200	2,500,000	789,260,200	69.26%
HHLR Advisors, Ltd.	Investment manager	L[(7)]	94,686,000	—	94,686,000	8.31%
HHLR Fund, L.P.	Beneficial owner	L[(7)]	94,686,000	—	94,686,000	8.31%

Notes:

1. The calculation is based on the total number of 1,139,492,800 Shares in issue as of December 31, 2024.

2. Each of Karis I LLC and Karis II LLC is wholly owned by North Point Trust Company LLC, the trustee of the Annuity Trusts, on trust for the benefit of the Annuity Trusts, which were established by Ms. Yang for the ultimate benefit of the Family Trusts, pursuant to certain arrangements. The Family Trust I and Family Trust II were established by Ms. Yang as both the settlor and the trustee, and the beneficiaries of which are any children born to or adopted by Ms. Yang and their respective issue and Mr. Ryan Xu, being Ms. Yang's child, during his lifetime, and any charitable organizations to be subsequently determined by the independent trustee (if any) at its discretion upon its appointment, respectively. Pursuant to the Annuity Trusts, Ms. Yang, as the powerholder, has the power to appoint additional trustees and remove and replace North Point Trust Company LLC, and as the sole manager of Karis I LLC and Karis II LLC, has the authority to make all decisions in relation to them. Ms. Yang is deemed to be interested in both Karis I LLC and Karis II LLC, and is therefore deemed to be interested in any Shares in which each of Karis I LLC and Karis II LLC is interested.

3. Caerus Co., Ltd is wholly owned by Siempre PTC LLC, which is the trustee of Acevation Trust. Mr. Yang Yuzheng is the trustor of Acevation Trust, and retains the right to revoke and amend the trust agreement during his lifetime.

4. Mr. Xu Bo is the spouse of Ms. Yang Lin. Under the SFO, Mr. Xu Bo is deemed to be interested in any Shares in which Ms. Yang Lin is interested.

5. Ms. Li Jisu is the spouse of Mr. Yang Yuzheng. Under the SFO, Ms. Li Jisu is deemed to be interested in any Shares in which Mr. Yang Yuzheng is interested.

6. Ms. Chen Shuyong is the spouse of Mr. Yang Hai. Under the SFO, Ms. Chen Shuyong is deemed to be interested in any Shares in which Mr. Yang Hai is interested.

7. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as of December 31, 2024, 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 section headed "Share Schemes" 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

Save as disclosed in the section headed "Share Schemes" below, the Company did not enter into any equity-linked agreement during the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the 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.

SHARE SCHEMES

Share Option Scheme

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of all Shareholders of the Company passed on December 1, 2020. The Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time.

(b) Who may join

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or advisor of the Group who in the sole discretion of the Board has contributed to and/or will contribute to the Group) (the "**Eligible Persons**") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

(c) *Maximum number of Shares*

(i) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

(ii) Subject to paragraphs (c)(i), (iv) and (v), at the time of adoption by the Company of the Share Option Scheme or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of the Company must not in aggregate exceed 10% of the total number of the Shares in issue as of the Listing Date (the "**Scheme Mandate Limit**").

(iii) For the purposes of calculating the Scheme Mandate Limit under paragraph (c)(ii), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

(iv) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:

- the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as of the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit;

- options previously granted under any Existing Schemes (including options outstanding, canceled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and

- a circular regarding the proposed refreshment of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 112,310,480 Shares which represent approximately 9.86% of the issued Shares as at the date of this annual report.

(v) The Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:

- the grant is to Eligible Persons specifically identified by the Company before the approval is sought; and

- a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and rules, in accordance with the terms of the Share Option Scheme.

(d) *Maximum number of options to any one individual*

No option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, canceled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;

- a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and

- the number and terms (including the subscription price) of such options are fixed before the general meeting of the Company at which the same are approved.

(e) *Price of Shares*

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer to grant option (the "**Offer Date**") (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing Shares where the Company has been listed for less than five business days as of the offer date); and (iii) the nominal value of the Share. A consideration of RMB1 is payable on acceptance of the offer of an option or options.

(f) *Time of exercise of option*

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The date of grant of any particular option is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Share Option Scheme. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by giving notice in writing to the Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting. As of the Latest Practicable Date, the remaining life of the Share Option Scheme is approximately six years and one month.

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

Grantees	**Exercise price** (HK$/Share)	**Closing price immediately prior to the grant** (HK$/Share)	**Outstanding options as of January 1, 2024**	**Granted**	**Exercised**	**Canceled**	**Lapsed**	**Outstanding options as of December 31, 2024**	**Exercise period**(Note)
Directors									
Yang Lin	12.880	10.360	1,150,000	—	—	—	—	1,150,000	May 14, 2021 to May 13, 2031
Yang Hai	12.880	10.360	1,150,000	—	—	—	—	1,150,000	May 14, 2021 to May 13, 2031
Chen Zhaojun	12.880	10.360	2,000,000	—	—	—	—	2,000,000	May 14, 2021 to May 13, 2031
Yang Yuzheng	12.880	10.360	200,000	—	—	—	—	200,000	May 14, 2021 to May 13, 2031
Fong Wo, Felix	12.880	10.360	200,000	—	—	—	—	200,000	May 14, 2021 to May 13, 2031
Gu Jiong	12.880	10.360	200,000	—	—	—	—	200,000	May 14, 2021 to May 13, 2031
Tan Wen	12.880	10.360	200,000	—	—	—	—	200,000	May 14, 2021 to May 13, 2031
Total			5,100,000	—	—	—	—	5,100,000	

Note: All share options granted by the Company shall be vested in five tranches within a period of 5 years in proportions of 10%, 10%, 20%, 30% and 30% of the share options granted, i.e. 10% of the share options granted shall be vested on the 1st anniversary of the grant, another 10% of the share options granted shall be vested on the 2nd anniversary of the grant, 20% of the share options granted shall be vested on the 3rd anniversary of the grant, 30% of the share options granted shall be vested on the 4th anniversary of the grant, and the remaining 30% shall be vested on the 5th anniversary of the grant.

The number of options available for grant under the Share Option Scheme mandate at the beginning and the end of the Reporting Period are 107,210,480 and 107,210,480 respectively.

Post-IPO Share Award Scheme

(1) Summary

On July 20, 2021, the Board adopted the Post-IPO Share Award Scheme (i) to recognize the contributions by certain eligible participants of the Post-IPO Share Award Scheme and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. On October 24, 2023, the Board resolved to amend the Post-IPO Share Award Scheme, upon the amendment, the Post-IPO Share Award Scheme shall only be funded by existing Shares. The Post-IPO Share Award Scheme constitutes a share scheme under Chapter 17 of the Listing Rules, but does not constitute a scheme involving the issue of new Shares as referred to in Chapter 17.

On October 10, 2023, the Board resolved to amend the Post-IPO Share Award Scheme which took effect on October 24, 2023 to, among others, delete the provisions of allowing the Board to allot and issue new Shares.

(2) Scheme limit

The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded by the Board under the Post-IPO Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant under the Post-IPO Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The total number of shares available for issue under the Post-IPO Share Award Scheme is nil.

(3) Who may join

(A) Eligible participant

Eligible participant who may join the Post-IPO Share Award Scheme includes any employee, director (including without limitation any executive, non-executive and independent non-executive Directors), officer, agent, consultant, supplier, service provider, customer, adviser, business partner or representative of any member of the Group or any other person as determined in its absolute discretion by the Board who has contributed to the business development of the Group.

Subject to the scheme rules, the Board may, from time to time, at its absolute discretion select any eligible participant (other than any excluded participant) for participation in the Post-IPO Share Award Scheme as a selected participant, and grant such number of awarded shares to any selected participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

(B) Disqualification of selected participant

In the event that prior to or on the vesting date, a selected participant is found to be an excluded participant or is deemed to cease to be an eligible participant, including but not limited to the following circumstances:

(a) where such person has committed any act of fraud or dishonesty or serious misconduct, whether or not in connection with his employment or engagement by any member of the Group and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group;

(b) where such person has been declared or adjudged to be bankrupt or winding up by a competent court or governmental body or has failed to pay his debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;

(c) where such person has been convicted of any criminal offence; or

(d) where such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time,

the relevant award made to such selected participant shall automatically lapse forthwith and the relevant awarded shares shall not vest on the relevant vesting date but shall remain part of the trust fund.

In respect of a selected participant who died or retired by agreement with a member of the Group at any time prior to or on the vesting date, the relevant award made to such selected participant shall automatically lapse forthwith and the relevant awarded shares shall not vest on the relevant vesting date but shall remain part of the trust fund.

(4) Administration

The Post-IPO Share Award Scheme shall be subject to the administration of the Board and the trustee in accordance with the scheme rules and the trust deed. The decision of the Board with respect to any matter arising under the Post-IPO Share Award Scheme (including the interpretation of any provision) shall be final and binding.

The trustee shall hold the trust fund in accordance with the terms of the trust deed.

(5) Vesting of awarded shares

Subject to the terms and conditions of the Post-IPO Share Award Scheme and the fulfillment of all vesting conditions, the respective awarded shares held by the trustee on behalf of the selected participant pursuant to the provision of the scheme rules shall vest in such selected participant in accordance with the vesting schedule (if any), and the trustee shall, at the instruction of the selected participant, cause the vesting shares to be transferred to such selected participant on the vesting date.

If there occurs an event of change in control (as specified in The Codes on Takeovers and Mergers and Share Buy-backs from time to time) of the Company prior to the vesting date, whether by way of offer, merger, scheme of arrangement or otherwise, the Board shall determine at its discretion whether such awarded shares shall vest in the selected participant and the time at which such awarded shares shall vest.

The Board may at its discretion, with or without further conditions, grant additional Shares out of the trust fund representing all or part of the income or distributions declared by the Company or derived from such awarded shares during the period from the date of award to the vesting date to a selected participant upon the vesting of any awarded shares.

(6) Duration

Subject to any early termination as may be determined by the Board pursuant to the scheme rules, the Post-IPO Share Award Scheme shall be valid and effective for a term commencing on the adoption date i.e. (July 20, 2021) and ending on October 23, 2033 (i.e. 10 years commencing on the adoption of the amended and restated Post-IPO Share Award Scheme).

As of the Latest Practicable Date, the remaining life of the Post-IPO Share Award Scheme is approximately eight years and seven months.

Details of movements of the share awards granted under the Post-IPO Share Award Scheme during the Reporting Period are as follows:

Grantees	Date of grant	Purchase price (HK$/Share)	Closing price immediately prior to the grant (HK$/Share)	Fair value as of date of grant of the awards granted during the Reporting Period (HK$/Share)	Weighted average closing price immediately before the vest date of awards during the Reporting Period	Unvested awards as of January 1, 2024	Granted	Vested	Canceled	Lapsed	Unvested awards as of December 31, 2024	Vesting period[Note]
Directors												
Chen Zhaojun	July 18, 2024	—	4.47	4.44	4.03	—	725,000	241,667	—	—	483,333	September 18, 2024 to July 18, 2026[Note 1]
The five highest paid individuals												
	July 6, 2022	—	4.96	4.99	4.73	802,400	—	300,900	—	—	501,500	July 5, 2023 to July 5, 2025[Note 2]
	November 1, 2022	—	2.09	2.18	4.73	1,080,000	—	120,000	—	—	960,000	July 5, 2023 to July 5, 2027[Note 3]
	November 1, 2023	—	4.93	4.93	—	411,000	—	—	—	411,000	—	November 1 ,2024 to November 1, 2026[Note 4]
Employees												
	July 21, 2021	—	11.10	11.32	5.00	27,500	—	27,500	—	—	—	July 21, 2021 to July 20, 2026[Note 5]
	January 1, 2022	—	9.47	9.29	4.46	1,222,000	—	974,000	—	—	248,000	October 31, 2022 to October 17, 2026[Note 6]
	January 19, 2022	—	8.45	8.42	5.03	187,200	—	70,200	—	73,000	44,000	January 18, 2023 to January 18, 2025[Note 7]
	April 9, 2022	—	5.01	4.83	5.18	90,400	—	33,900	—	56,500	—	April 8, 2023 to April 8, 2025[Note 8]
	October 26, 2023	—	4.77	4.89	4.11	3,097,800	—	935,850	—	371,200	1,790,750	October 31, 2023 to July 5, 2027[Note 9]
	October 31, 2023	—	5.05	4.89	—	1,519,500	—	—	—	1,519,500	—	November 13, 2023 to November 13, 2026[Note 10]
	November 6, 2023	—	4.72	4.80	3.90	232,000	—	46,400	—	—	185,600	November 6, 2024 to November 6, 2026[Note 11]
	March 31, 2024	—	5.00	4.96	—	—	200,000	—	—	—	200,000	January 31, 2025 to January 31, 2027[Note 12]
	April 8, 2024	—	5.18	4.93	—	—	83,000	—	—	83,000	—	April 8, 2025 to April 8, 2027[Note 13]
	May 27, 2024	—	5.74	5.75	—	—	234,000	—	—	—	234,000	May 27, 2025 to May 27, 2027[Note 14]
	June 12, 2024	—	5.29	5.07	—	—	269,000	—	—	127,000	142,000	June 12, 2025 to June 12, 2027[Note 15]
	July 11, 2024	—	4.55	4.50	—	—	2,046,000	—	—	2,046,000	—	July 11, 2025 to July 11, 2027[Note 16]
	August 27, 2024	—	4.34	4.38	—	—	541,000	—	—	—	541,000	August 12, 2025 to August 12, 2027[Note 17]
	September 18, 2024	—	4.03	4.18	—	—	179,000	—	—	—	179,000	September 18, 2025 to September 18, 2027[Note 18]
	October 9, 2024	—	4.64	4.41	—	—	48,000	—	—	—	48,000	October 9, 2025 to October 9, 2027[Note 19]
	December 2, 2024	—	4.05	4.01	—	—	123,000	—	—	—	123,000	December 2, 2025 to December 2, 2027[Note 20]
Total						8,669,800	4,448,000	2,750,417	—	4,687,200	5,680,183	

Notes:

1. Chen Zhaojun, a director of the Company, and one of the five highest paid individuals for the year ended December 31, 2024, was granted 725,000 award shares on July 18, 2024. The 725,000 award shares shall be vested in accordance with the below vesting schedule:

   (i) 241,667 share awards have been vested in 2024;

   (ii) 241,667 share awards shall be vested in 2025; and

   (iii) 241,666 share awards shall be vested in 2026.

2. The 802,400 share awards shall be vested in accordance with the below vesting schedule:

   (i) 300,900 share awards have been vested in 2024; and

   (ii) 501,500 share awards shall be vested in 2025.

3. The 1,080,000 share awards shall be vested in accordance with the below vesting schedule:

   (i) 120,000 share awards have been vested in 2024;

   (ii) 240,000 share awards shall be vested in 2025;

   (iii) 360,000 share awards shall be vested in 2026; and

   (iv) 360,000 share awards shall be vested in 2027.

4. The 411,000 share awards have been lapsed in 2024.

5. The 27,500 share awards have been vested in 2024.

6. The 1,222,000 share awards shall be vested in accordance with the below vesting schedule:

   (i) 974,000 share awards have been vested in 2024;

   (ii) 134,000 share awards shall be vested in 2025; and

   (ii) 114,000 share awards shall be vested in 2026.

7. The 187,200 share awards shall be vested in accordance with the below vesting schedule:

   (i) 70,200 share awards have been vested in 2024;

   (ii) 73,000 share awards have been lapsed in 2024; and

   (iii) 44,000 share awards shall be vested in 2025.

8. The 90,400 share awards shall be vested in accordance with the below vesting schedule:

   (i) 33,900 share awards have been vested in 2024; and

   (ii) 56,500 share awards have been lapsed in 2024.

9. The 3,097,800 share awards shall be vested in accordance with the below vesting schedule:

    (i) 935,850 share awards have been vested in 2024;

    (ii) 371,200 share awards have been lapsed in 2024;

    (iii) 1,506,250 share awards shall be vested in 2025;

    (iv) 219,750 share awards shall be vested in 2026; and

    (v) 64,750 share awards shall be vested in 2027.

10. The 1,519,500 share awards have been lapsed in 2024.

11. The 232,000 share awards shall be vested in accordance with the below vesting schedule:

    (i) 46,400 share awards have been vested in 2024;

    (ii) 69,600 share awards shall be vested in 2025; and

    (iii) 116,000 share awards shall be vested in 2026.

12. The 200,000 share awards can be vested in accordance with the following schedule:

    (i) 40,000 share awards shall be vested in 2025;

    (ii) 60,000 share awards shall be vested in 2026; and

    (iii) 100,000 share awards shall be vested in 2027.

13. The 83,000 share awards have been lapsed in 2024.

14. The 234,000 share awards can be vested in accordance with the following schedule:

    (i) 78,000 share awards shall be vested in 2025;

    (ii) 78,000 share awards shall be vested in 2026; and

    (iii) 78,000 share awards shall be vested in 2027.

15. The 269,000 share awards can be vested in accordance with the following schedule:

    (i) 127,000 share awards have been lapsed in 2024;

    (ii) 28,400 share awards shall be vested in 2025;

    (iii) 42,600 share awards shall be vested in 2026; and

    (iv) 71,000 share awards shall be vested in 2027.

16. The 2,046,000 share awards have been lapsed in 2024.

17. The 541,000 share awards can be vested in accordance with the following schedule:

    (i) 108,200 share awards shall be vested in 2025;

    (ii) 162,300 share awards shall be vested in 2026; and

    (iii) 270,500 share awards shall be vested in 2027.

18. The 179,000 share awards can be vested in accordance with the following schedule:

    (i) 35,800 share awards shall be vested in 2025;

    (ii) 53,700 share awards shall be vested in 2026; and

    (iii) 89,500 share awards shall be vested in 2027.

19. The 48,000 share awards can be vested in accordance with the following schedule:

    (i) 9,600 share awards shall be vested in 2025;

    (ii) 14,400 share awards shall be vested in 2026; and

    (iii) 24,000 share awards shall be vested in 2027.

20. The 123,000 share awards can be vested in accordance with the following schedule:

    (i) 24,600 share awards shall be vested in 2025;

    (ii) 36,900 share awards shall be vested in 2026; and

    (iii) 61,500 share awards shall be vested in 2027.

The fair value of the awards was measured at the date of grant and recognized as expense in the financial statements of the Group over the vesting period. The fair value of the awards granted was HK$88,224,000 in total. For details, please refer to note 31 to the financial statements.

Subject to the discretion of the Board, the Company may further utilise the lapsed shares for other participants under the Scheme accordingly. As at December 31, 2024, the number of share awards available for grant under the Post-IPO Share Award Scheme mandate was 102,691,480 (December 31, 2023: 104,791,480) including the 4,687,200 shares that have lapsed during the year in accordance with the terms and conditions of the Scheme.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company (i.e. Share Option Scheme, Pre-IPO Share Award Scheme and Post-IPO Share Award Scheme) during the Reporting Period divided by the weighted average number of Shares in issue is nil.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this report, the Directors confirm that the Company had maintained the prescribed public float under the Listing Rules during the Reporting Period.

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

During the Reporting Period, the Company repurchased a total of 10,733,000 Shares (the "**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration of HK$54,214,710.00. Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share Highest (HK$)	Price paid per Share Lowest (HK$)	Aggregate consideration (HK$)
January 2024	3,609,000	5.30	4.77	18,070,700.00
March 2024	2,849,000	5.15	4.90	14,540,080.00
April 2024	225,000	4.50	4.49	1,012,470.00
May 2024	1,600,000	5.79	5.27	8,873,540.00
June 2024	600,000	5.06	5.04	3,029,810.00
July 2024	1,450,000	5.09	4.23	6,922,450.00
August 2024	400,000	4.45	4.32	1,765,660.00
Total	10,733,000			54,214,710.00

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company are provided in note 34 to the financial statements. Save as aforesaid, the Group did not have any other significant contingent liabilities as at December 31, 2024.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group did not have any transactions with any of its connected persons, which was not fully exempt from shareholders' approval, annual review and all disclosure requirements under the Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions undertaken during the Reporting Period are set out in note 35 to the financial statements which do not constitute connected or continuing connected transaction as defined in Chapter 14A of the Listing Rules. The Company has complied with all disclosure requirements as set out in Chapter 14A of the Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In order to continuously increase brand value, the Group adheres to the core value of quality first by providing customers with safe, high-quality and innovative products and services. To this end, the Group has developed a comprehensive quality management system in respect of product R&D, product manufacturing and product after sales service. At the same time, we operate our business in a responsible manner, and regard information protection, integrity and supply chain management as key factors of stable business development.

We also value the efforts of each employee, and actively build all possible personal development opportunities and spaces for our employees to achieve their self-worth. We are committed to embedding environmental protection concepts and practices into all of our operations, in order to minimise the adverse impacts on the environment and continually improve our environmental performance.

The Group is committed to being a responsible member of the community and is dedicated to promoting a thriving society and giving back to the society. We participate and invest in the local community through partnerships with charities and non-government organizations. Looking ahead, we will continue to promote a culture of active engagement in social service and encourage our employees to actively participate in voluntary services to maintain the harmonious relationship with the society.

The Company is committed to improving environmental sustainability and will closely monitor its performance in accordance with Rule 13.91 of and Appendix C2 to the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

AUDITOR

The consolidated financial statements for the year ended December 31, 2024 of the Group have been audited by Ernst & Young, the auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor of the Company at the 2025 AGM. A resolution will be proposed at the 2025 AGM to reappoint Ernst & Young as the auditor of the Company and to authorize the Board to fix the remuneration of the auditor. There was no change in the auditor of the Company in the preceding three years.

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 Reporting Period.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. **Risks of China and the U.S. Trade Dispute and Other Trade Barrier — Strategic Risk**
2. **Risk of stockpiling of goods — Operational Risk**
3. **Risks of organisational development and talent training — Operational Risk**

1. RISKS OF CHINA AND THE U.S. TRADE DISPUTE AND OTHER TRADE BARRIER

Since 2018, the United States has imposed additional tariffs on certain goods imported from the PRC, which involves categories such as air purifiers, vacuum cleaners, water purifiers, ovens and related components. Due to the Group's strategic focus on the U.S. market, some of the Group's products were included in the list of products subject to the additional tariffs and were therefore significantly affected. In March 2022, December 2022, September 2023, December 2023 and May 2024, the Office of the U.S. Trade Representative announced on five occasions that it would waive the tariffs on certain commodities imported from the PRC, of which the Group's major product categories including air purifier, air fryer, oven with air frying technology, etc., were exempted from the tariffs. In particular, the air fryer, oven with air frying technology and other products are exempted until 14 June 2024; and the air purifier and other products are exempted from tariff until 31 May 2025.

In February 2025, the government of the United States announced the increase in tariffs on imports from the PRC to an additional 10%. In March 2025, such tariffs on imports from the PRC was further increased by 10%.

There are still many uncertainties in the trade policy of the United States towards the PRC, and such trade disputes and trade barriers may lead to an increase in the cost of the Group's products manufactured in the PRC, which may adversely affect the Group's operations, financial position and operating results.

Response to Risk:

The management of the Group stated that the Group has continued to optimize its product research and development and sales portfolio by increasing the proportion of research and development and marketing of higher margin products in response to the trade disputes between China and the United States. The Group has also iterated its existing products and launched upgraded versions of the Group's best-selling products such as air purifiers, air fryers and air humidifiers. In addition, in terms of the new product categories with high profit margins developed under the Group's strategic planning, such as the electric rice cooker and electric pressure cooker included in the kitchen appliances category. The Group has also invested more marketing resources to specifically optimize the traffic structure and sales page content for these higher margin products to bring about higher traffic conversion rates and higher product rankings. According to the Company's internal statistics, the Group's major core categories, such as air purifiers, air humidifiers, electric kettles, body scales, kitchen scales, temperature guns and food dehydrators, have ranked No. 1 for several consecutive years by category on the Amazon platform in the United States.

The Group has been actively expanding to the markets outside the U.S. Apart from the U.S. market, the Group has also expanded into Canada, Europe, Southeast Asia, Japan, the Middle East and other regional markets. The revenue growth of non-North American markets is gradually improving, the European and Asian markets are performing well, and sales in these markets are growing rapidly. In 2024, the Group recorded revenue of US$41.0 million in Asia, representing an increase of 37.7% as compared with approximately US$29.8 million in 2023. In 2024, the Group recorded revenue of US$131.1 million in Europe, representing an increase of 4.3% as compared with approximately US$125.7 million in 2023. Currently, the Group has achieved groundbreaking business development in the markets outside the U.S., and it still plans to further increase or expand in the future. The management of the Group believes that the diversified regional sales strategy of expanding the size and market share in non-U.S. markets is conducive to mitigating the impact of the Sino-U.S. trade dispute on the Group's business costs and supporting the Group to achieve sustained and long-term growth and development.

In addition, the Group has been proactive in laying out its overseas supply chain and optimising the configuration of the supply chain in advance with an aim to achieve resource integration and efficiency improvement. At present, the Group has cooperated with local subcontractor in Vietnam and Thailand and achieved mass production. Among them, the air purifiers achieved mass production in 2023, while air fryers have achieved mass production by the end of 2024. Meanwhile, the Group's wholly-owned subsidiary in Vietnam (manufacturing filters of air purifiers) started mass production in 2024. In 2025, the Group will continue to advance the supply chain transfer plan and also plans to seek suitable subcontractors in other regions or countries (including but not limited to Malaysia, Indonesia, etc.) to realize the global layout of the Group's supply chain.

2. RISK OF STOCKPILING OF GOODS

The Group provides small household appliances and smart home devices, which are sold to the U.S., Canada, Europe, Southeast Asia, Japan, the Middle East and other countries or regional markets through online and offline channels, so it is necessary to maintain a certain inventory level. At the same time, the industries that the Group is involved face a complex external market environment, including changing consumer trends and customer preferences, innovative product launches, changes in product strategies of competitors, disruptions of international or local transportation, climate change and economic or political factors, which may lead to the risk of stockpiling of goods.

If the Group fails to accurately forecast the relevant market trends and thus fails to adjust the quantity of goods in stock according to the sales forecast, the Group may experience stockpiling of inventory goods, resulting in the risk of increased inventory costs. In addition, if there is stockpiling of obsolete goods in stock, the Group is required to sell the obsolete goods by way of discounts or promotions or scrap them if they are not sold, resulting in economic losses.

Response to Risk:

The Group has taken various measures to reduce the risk of inventory backlog:

Firstly, the Group continues to enhance its sales forecasting capability and adjusts its inventory levels accordingly. The Group does this by: 1) enhancing its operational capability and setting up a special position to monitor changes in sales demand and make adjustments on an ongoing basis; 2) developing a module for future sales forecasting in 2024 through the operations console system, which is used to predict the accuracy of SO demand in the Amazon channel to ensure a reasonable level of inventory and minimize the risk of backlogs or shortages. Sales forecast accuracy continues to increase in 2024 compared to 2023 and these measures will continue to be implemented in 2025 to ensure a reasonable level of inventory and minimize the risk of backlogs or shortages.

Secondly, the Group has established inventory administrative regulations and programs to set safety inventory levels, aiming to avoid the risk of stockpiling, minimize inventory waste and avoid inventory obsolescence. Meanwhile, it carries out early warning of inventory backlog focusing on those with a long inventory age, conducts regular review, and implements inventory clearance through promotion and other means for overdue inventory stockpiling. For the year ended 31 December 2024, the Group's inventories were valued at approximately US$72.6 million (for the year ended 31 December 2023, the Group's inventories were valued at approximately US$79.8 million), and the Group's average number of days of inventory turnover was approximately 80 days, representing a decrease of approximately 35 days as compared to 2023, indicating an increase in inventory turnover speed.

3. RISKS OF ORGANISATIONAL DEVELOPMENT AND TALENT TRAINING

The Group has been following the trend of intelligent development of the industry by developing smart small home appliances and smart home products. The Group has also continued to optimise its self-developed smart product applications and related systems and launch innovative products or improve its products and technologies, so as to meet the growing consumer demand for smart home device solutions and expand the Group's business and strengthen its competitiveness. With the rapid development of the Group's operating business, along with the intense competition in the small home appliance industry in which the Group operates and the complexity and flexibility of multi-regional market operations, employees are expected to have rich up-to-date professional knowledge and job skills to support the Group's business development.

In recent years, the Group has brought in many mid- to senior-level professionals with an aim to further enhance the density of excellent talents and strengthen the Group's organizational capabilities. However, the introduction of new mid- to senior-level professionals and managers also poses challenges to cadre integration, management and culture shock of the whole organization. In 2024, the number of staff in the Group was 1,408. Based on the transformation of business and the increasing requirements in product, research and development, marketing, etc., the Group has put forward new challenges to its talent capacity and considers from the perspectives of overall human resources strategy, talent team and development system to guide employees' long-term career development and retention, so as to achieve the Group's capability precipitation and iterative development, and to provide a firm support for its high-quality development.

If the Group fails to provide scientific and reasonable training and cultivation for its employees in a timely manner, there will be uncertainties in the quality improvement of employees and employees may have difficulties in quickly adapting to the environment or mastering the necessary business skills, which in turn may adversely affect business operations. Furthermore, if the Group fails to provide employees with up-to-date knowledge and skills, and creativity exploration and cultivation necessary for their development, or if employees' career development path is not smooth and their promotion is unreasonable, it may affect the achievement of the Group's business operation targets in the short term and have a significant adverse impact on the Group's development in the long term.

Response to Risk:

The Group continues to iterate and maintain its capability system, and set qualifications for most positions, which are used to drive the improvement and development of employees' professional abilities and serve as the basic criteria for talent selection. In 2025, the Human Resources Department of the Group will continue to develop, maintain, and iterate qualification standards based on organizational and employee development needs, pay continuous attention to qualification in promotion evaluation, and foster talent development in a more systematic manner. Meanwhile, the iteration and development of qualifications will take consideration of the organization's capability requirements for employees, so as to drive the development of organizational talents.

The Group maintains standardized and procedure-based operations for management and evaluation of the probationary period of new managers. Through comprehensive assessments carried out during the probationary period, the phased integration, key capabilities, performance outputs and adaption to the organization of a key talent will be identified, and the guidance and support for his problems identified during the probationary period will be strengthened.

The Group conducts new employee training through "online learning" to provide timely training courses for new employees within the first week of their employment, helping them quickly integrate and master job skills to better leverage business efficiency. The Group also regularly provides centralized training and on-the-job training for graduates, so as to enhance their familiarity with business knowledge, corporate culture, processes, etc., through theoretical training, mentorship, on-the-job practice, virtual project training and stage assessments within business departments. For existing employees, different departments conduct differentiated internal and external training tailored to business needs.

In 2024, the Group further improved the job grades and positions system, including the purpose, scope of application, management body and division of responsibilities, introduction of job grades and positions and employee development channels, adjustment process of job grades and positions, application of job grades and positions, etc., and completed the transfer of new and old job grades and positions. We also completed the feedback and application of the promotion in each department in 2024 and serve as guidance for employee development within the organization.

The Group has established a dual-channel career development path for its employees in management and professions to help them give full play to their strengths. We have also formed a promotion mechanism to review employees' ability and performance enhancement every year, and those who are excellent in assessment will be promoted to meet the needs of employees' career development and the Group's talent construction. In 2025, we will continue to implement the grade promotion mechanism on a regular basis to provide excellent employees opportunities and platforms to perform, and the employees will enhance their growth to follow up on the Company's rapid pace of development, so that they can better support the Company's development, ultimately realizing a virtuous cycle of shared progress between employees and the Company.

In 2025, according to the instructions of the management and based on the talent supply and training needs of the business transformation on the twin engines of research and development and marketing, the Group's Human Resources and Administration Department will further design the support, training and development of the above two types of cadres to expand the support of talents for business transformation.

RELATIONSHIPS 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's success depends on the support from key stakeholders which comprise the Directors and senior management, employees, customers and suppliers.

For details on the Group's relationships with employees, customers and suppliers during the Reporting Period, please refer to ESG Report in this annual report.

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

Hong Kong, March 17, 2025

1. ABOUT THIS REPORT

Vesync Co., Ltd (the "Company" or "We") and its subsidiaries (the "Group") are pleased to release the fifth Environmental, Social and Governance Report (hereinafter referred to as the "ESG Report" or the "Report"), which outlines our strategies, objectives and efforts in respect of environmental, social and governance ("ESG"), and explains our sustainable development concepts.

The Report reflects our performance, objectives and efforts in respect of environmental, social and governance ("ESG") in 2024.

Reporting Standards

The Report has been prepared in accordance the "ESG Reporting Guide" (the "Guide") under Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has complied with the reporting principles of the Guide, including mandatory disclosure requirements, "comply or explain" provisions and the requirements of the four reporting principles (materiality, quantitative, balance and consistency).

Materiality	In compliance with the requirements of materiality principle defined by the Stock Exchange, the process of and the criteria for the selection of material ESG factors, as well as the description of major stakeholders, the process and results of their participation are identified and disclosed in the Report.
Quantitative	Statistical standards, methodologies, assumptions and/or calculation tools used to report emissions/energy consumption (where appropriate), and the sources of the conversion factors are explained in the definitions of the Report.
Balance	This Report shall provide an unbiased picture of the Group's performance during the Reporting Period and should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment made by the report readers.
Consistency	The statistical methods in all data reporting are consistent with previous year. Any changes will be stated clearly in the Report.

Reporting Scope

This Report covers the actual business scope of the Group, and the data collection of environmental Key Performance Indicators ("KPIs") includes those from offices in Shenzhen and Chongqing, PRC, and the United States (U.S.), as well as the factory in Dongguan, PRC. This Report describes the sustainable development policies, initiatives and KPIs of the Group related to core businesses from January 1, 2024 to December 31, 2024 (hereinafter referred to as the "Year" or the "Reporting Period").

Language of this Report

This Report is available in two languages, including traditional Chinese and English versions. Should there be any inconsistency between them, the traditional Chinese version shall prevail.

Approval of this Report

This Report was approved by the board of directors on March 17, 2025 upon confirmation of the management.

Feedback on this Report

We highly value your feedback on this Report. Should you have any questions or suggestions, please do not hesitate to contact us via email to ir@vesync.com.

2. SUSTAINABLE DEVELOPMENT STRATEGY

2.1 Statement of the Board of Directors

We integrate ESG principles into our daily business operations and management practices, striving to establish a clear and accountable ESG governance framework. By aligning with operational development and regulatory requirements, we continuously refine our ESG management structure and functions. The Board of Directors assumes ultimate responsibility for sustainability initiatives and exercises comprehensive oversight. Its primary duties include regularly discussing, reviewing, and approving the Group's ESG management policies, key ESG issues, strategies, and risk management, as well as monitoring progress toward established targets. Our Audit Committee and ESG Working Group are tasked with driving the implementation of specific ESG initiatives and enhancement of execution systems.

During the Year, the Group has embedded sustainability management concepts into its daily operations. The Board has reviewed the Group's directional environmental goals and their progress, and it will continue to monitor the achievement of these targets, which will demonstrate the effectiveness of our ESG governance. Moving forward, the Board will seek further opportunities to enhance ESG performance, aiming to create long-term value for the Group.

2.2 Sustainable Governance

The Group actively integrates sustainable development concept into our corporate culture and long-term development strategy, and has established a top-down ESG governance structure consisting of the board of directors, the audit committee and the ESG working group, so as to better prepare for future challenges and opportunities. The board of directors of the Company has overall oversight right and ultimate responsibility for ESG issues.

The Group is committed to promoting a low-carbon philosophy and upholding the values of long-term sustainable development. We embed ESG principles into the management policies, strategies, business plans, and operational guidelines of the Group. Our ESG governance framework spans decision-making, management, organizational, and execution levels, with clearly defined responsibilities at each level to ensure cohesive collaboration and the comprehensive implementation of ESG initiatives.

DECISION MAKING LEVEL: the board of directors

- Taking full responsibilities for ESG strategies and reporting
- Determining ESG management guidelines, strategies, plans, goals and annual work, including assessing, prioritizing and managing significant ESG issues, risks and opportunities
- Delegating authority to the ESG working group
- Reviewing and monitoring ESG performance and the progress in achieving goals regularly
- Approving the content of ESG report annually

DECISION MAKING LEVEL: the audit committee

- Developing and reviewing the Company's ESG policies and practices and making recommendations to the board of directors
- Overseeing the assessment and management of ESG related issues and reporting to the board of directors
- Reviewing and monitoring the progress of ESG related objectives and targets and making recommendations to the board of directors
- Reviewing the Company's compliance with the Listing Rules in relation to ESG disclosures in the ESG Report
- Assessing and determining ESG related risks and opportunities, ensuring that appropriate and effective ESG management and internal controls are in place
- Reviewing other ESG topics, if any, as defined by the board of directors

ORGANIZATION LEVEL: the ESG working group

- Reporting regularly to the audit committee under the board of directors and senior management on ESG related issues and progress
- Responsible for reviewing and monitoring ESG policies and practices of the Group to ensure that the Group complies with relevant legal and regulatory requirements
- Coordinating and promoting the implementation of ESG policies by all departments, and monitoring the ESG related work of functional departments

EXECUTIVE LEVEL: representatives of departments

- Complying with various ESG related policies and systems
- Collecting and reporting ESG internal policies, systems and ESG related performance indicators

2.3 Stakeholders' Engagement

The Group is dedicated to delivering sustainable growth for its stakeholders, who include shareholders/investors, customers, employees, business partners, government, suppliers, media, communities/non-governmental organizations, and regulatory authorities. These stakeholders play a vital role in our business development and strategic direction. We actively listen to their expectations and concerns, responding in a timely manner through the key communication channels outlined below:

Stakeholders	Major Communication and Response Methods
Shareholders/investors	• Annual general meetings and other general meetings • Interim reports and annual reports • Company correspondence (such as letters/circulars to shareholders and meeting notices) • Results announcements • Investors' meetings • Shareholder visits • Business data announcements • Roadshow
Customers	• Customer satisfaction surveys and opinion forms • Customer service centre • Daily operation/communication • Online service platform • Telephone • Email
Employee	• Channels (such as forms and suggestion boxes) for employee to express opinions • Work performance appraisal and reviews • Group discussion • Business briefings • Seminars/workshops/talks • Publications (such as staff newsletters) • Staff communication conference • Employee intranet forums
Business partners	• Cooperation projects • Meetings • Visits • Talks
Government — Human Resources and Social Security Bureau/ Taxation Bureau	• Policy documents and guidelines • Working conference • Information delivery • Seminars
Suppliers	• Supplier/contractor evaluation system • Meetings • On-site visits • Email/Telephone
Media	• News conference • Press releases • Interviews with senior management • Results announcements • Media events
Community/non-governmental organizations	• Community activities • Seminars/talks/workshops • Meetings • Daily information and communication symmetry • Donation
Regulators	• Regulatory policies • Investigations and visits • Presentations

2.4 Materiality Assessment

The Group actively maintains close communication with various stakeholders to understand their key concerns and meet their needs. We have engaged a third-party consultant to conduct a materiality assessment, identifying ESG issues that are crucial to the business scope. This enables effective allocation of resources in carrying out ESG initiatives. Based on the survey results of key issues for various stakeholders and the overall business operations of the Group, we have conducted an analysis. Our Materiality Assessment process is as follows:

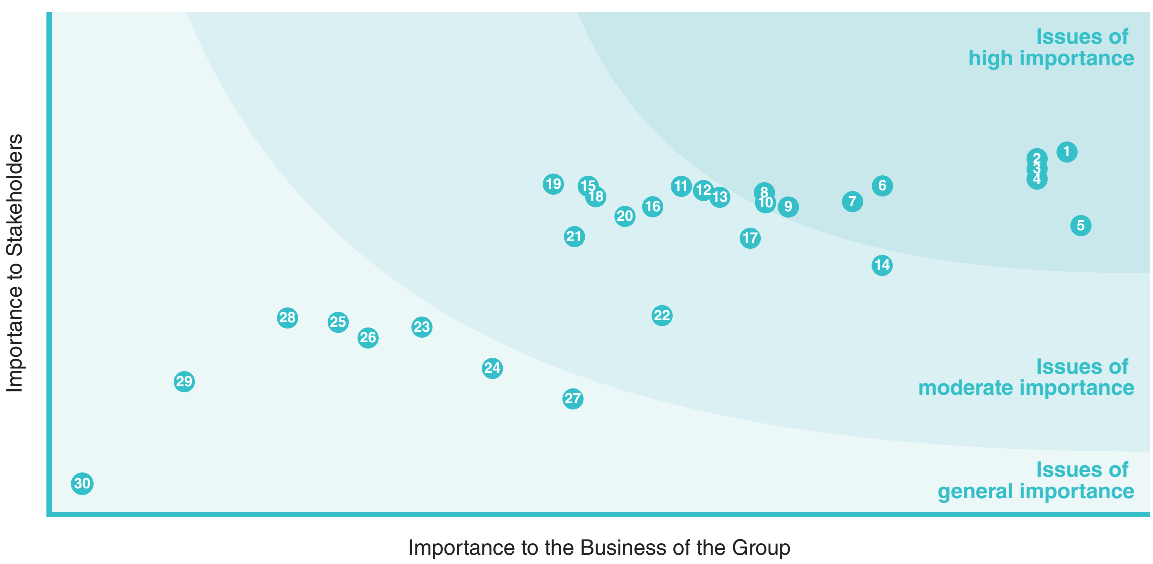
Step 1, identify the pool of the important issues. We referred to the disclosure requirements set out in the ESG Reporting Guide (the "Guide") and the Sustainability Accounting Standards Board ("SASB") to determine a series of important issues covering five categories: product responsibility, governance, employment and labour practices, environment, and society. We invited stakeholders to complete an online questionnaire to rate themselves and the group's business based on the importance of each issue. After collecting the feedback, an assessment was performed to prioritize the issues and generated an ESG Materiality Matrix.

Step 2, questionnaire survey. We invited both internal and external stakeholders to participate in an online questionnaire. Internal stakeholders included members of the board of directors, senior management, middle management, and staff. External stakeholders include customers, supply chain, shareholders/investors, and Community/non-governmental organizations, etc.

Step 3, analysis of the important issues. We assessed the importance of each issue based on "Importance to the Business of the Group" and "Importance to Stakeholders," and graphed a Materiality Matrix. The results were further summarized and analyzed.

By consolidating the feedback from stakeholders and taking the Group's operational situation into consideration, we ranked 30 key ESG issues, ultimately identifying 13 highly important issues, 9 moderately important issues, and 8 generally important issues. This materiality assessment result has been approved by the board of directors.

Materiality Matrix



According to the Materiality Matrix, we have determined the direction for this Year's ESG key issues, which include "Excellence in Quality", "Responsibility Operation", "Employment Management", "Supply Chain Management", "Environmental Protection and Management" and "Social Contribution". This report will focus on presenting these six areas to reflect our ESG working performance.

Issues of high importance	Corresponding Chapter
1. Operation in compliance with laws and regulations	Responsibility Operation
2. Protection of customers' privacy	Responsibility Operation
3. Product and service quality assurance	Excellence in Quality
4. Respecting intellectual property rights	Responsibility Operation
5. Product innovation	Excellence in Quality
6. Product after-sales management	Excellence in Quality
7. Complaint handling and responding mechanism	Excellence in Quality
8. Information security	Responsibility Operation
9. Employee's rights and interests	Employment Management
10. Relationship with employees	Employment Management

Issues of moderate importance	Corresponding Chapter
11. Risk management and internal control	Responsibility Operation
12. Occupational health and safety	Employment Management
13. Supply chain management	Supply Chain Management
14. Product promotion	Excellence in Quality
15. Company growth and governance	Excellence in Quality
16. Prevention of child labour and forced labour	Employment Management
17. Whistle-blowing mechanism	Responsibility Operation
18. Staff training and development	Employment Management
19. Anti-corruption	Responsibility Operation
20. Employee diversity, non-discrimination and equal opportunity	Employment Management
21. Management on product design and lifecycle	Excellence in Quality
22. Green design	Excellence in Quality

Issues of general importance	Corresponding Chapter
23. Electronic waste	Environmental Protection and Management
24. Value and impact of community investment	Social welfare
25. Water consumption and efficiency management	Environmental Protection and Management
26. Energy consumption and efficiency management	Environmental Protection and Management
27. Employees' awareness and participation of public welfare activities	Social welfare
28. Usage of packaging materials	Environmental Protection and Management
29. Emission management	Environmental Protection and Management
30. Climate change	Environmental Protection and Management

3. EXCELLENCE IN QUALITY

3.1 Product and Service Innovation

Adhering to our mission to help our users “create a better life”, we are committed to continuously improving our users’ daily life and making their lives healthier in marginal but meaningful ways through innovative and user-friendly products and services. Based on the positive reviews from various sources, the ease-of-use, high performance and excellent compatibility of VeSync’s products are the features that users appreciate the most. In 2012, we launched our first brand Etekcity, followed by Cosori, and Levoit.

VeSync Brand Series

Among the products of the Group, Levoit air purifier is one of the most popular products. At the same time, Levoit air purifier and humidifier are rapidly expanding in the German market. We make persistent investments and upgrades in product development capability, conduct brand operations in several dimensions, and strengthen the expansion via other channels than Amazon. Levoit dust collector continues with the success of the air purifier and air humidifier.

Cosori air fryer, another subordinate product, is also well received. Cosori air fryer continues to rank in first place in the Spanish market in terms of sales turnover, and has a high ranking among Amazon air fryers in other European countries. Cosori fruit dryer and electric kettle continue to win first place in the US Amazon channel in terms of sales share, which fully shows that the Company stands out from the competition in terms of user insight innovation and cross-channel R&D.

The excellent performance of smart home products of the Group is widely praised. We have been actively operating brands to enhance consumers’ brand awareness. We continue to consolidate the brand influence, and optimize our promotion strategies on e-commerce platforms to improve the product conversion rate. In addition, we also strengthen the use of social media, and utilize the official accounts of Facebook, YouTube, TikTok and other platforms in North American, European and Asian markets to release our product videos, have interactions with fans and conduct cooperation with KOLs, which can enhance the brand exposure and product accessibility to customers.

Circulating Fan

Humidifier

Air Fryer

Fitness Scale

Award-winning products	Awards
Etekcity Smart Fitness Scales EFS-A591S-KUS	German Innovation Award, Red Dot Award
Cosori Smart Meat Thermometer CMT-R161S-KUS	2023 IF Design Award
Cosori Air Fryer CAG-A601S-KUS	German Innovation Award, Red Dot Award
Cosori Air Fryer CAF-LI401S-KUS	IF Design Award
Cosori Air Fryer CAF-L501-WJP	Excellent Design Award
Cosori Air Fryer	America's Best Home and Garden Brands 2022
Levoit Humidifier	America's Best Home and Garden Brands 2022
Levoit Smart Tower-type Fan	2023 IF Design Award
Levoit Smart Vacuum Cup LTM-A401S-WUS	IF Design Award, German Innovation Award, Red Dot Award
Levoit Air Purifier Core 400S	IF Design Award, German Innovation Award
Levoit Air Purifier LAP-EL551-WUS	IF Design Award, German Innovation Award, Red Dot Award

Levoit Halo Smart Reamer won the CES Innovation Awards

The design concept of AURA-Smart Essential Oil Diffuser won Honorable Mention at the Reddot Design Award

Etekcity Emory Handheld Steamer won the CES Innovation Awards

Pinnacle Smart Nutrition Scale won the iF Product Design Award

Emory Handheld Steamer won the iF Product Design Award

AURA- Smart Essential Oil Diffuser won the iF Product Design Award

COSORI Air Fryer won the Reddot Design Award

Levoit Core 300 True HEPA Air Purifier won the Contemporary Good Design

Levoit Willow True HEPA Air Purifier won the IHA Global Innovation Awards

Levoit Willow True HEPA Air Purifier won the "global innovation awards" of IHA

Levoit Core 300 True HEPA Air Purifier won the IF Design Award

Levoit Air Concept won the IHA Global Innovation Awards

Levoit Core 300S Smart True HEPA Air Purifier won the German Innovation Award

Levoit Core 300S Smart True HEPA Air Purifier won the Red Dot Design Award

Levoit Core 400S Smart True HEPA Air Purifier won the Red Dot Design Award

Levoit Core 300S Smart True HEPA Air Purifier won the German Design Award

Levoit Air Concept won the Special Prize of the German Design Award

Levoit Core 400S Smart True HEPA Air Purifier won the Special Prize of the German Design Award

Levoit LAP-EL551-WUS Air Purifier received IF Design Award

Etekcity EFS-A591S-KUS Smart Fitness Scales received German Innovation Award

Levoit LAP-EL551-WUS Air Purifier received Red Dot Award

COSORI CAG-A601S-KUS Air Fryer received German Innovation Award

Levoit 42-Inch Smart Tower Fan received IF Design Award

COSORI CMT-R161S-KUS Smart Meat Thermometer received IF Design Award

3.2 Product Quality and Service

The Group is committed to promoting product safety and quality improvement following the principle of "customer first, quality first" and the strategic quality policy of "continuous improvement, and sustainable development". We have established a set of perfect quality management system, achieved quality risk control throughout the entire process, and strictly complied with the relevant laws and regulations in the region where we operate, in order to ensure our products can meet customer and regulatory requirements.

We have formulated the Quality Objective Management Control Procedure to improve product quality and promote continuous improvement in the quality management system by setting and implementing quality objectives and action plans. The Procedures specify that the quality objectives should be determined in accordance with the SMART principle, and stipulate the responsibilities of the management, the Quality Department, HR Department and the General Manager covering various parts such as preliminary setting of quality objectives, implementation, monitoring and review, which can guarantee the effective operation of quality objective management.

SMART principle for determination of quality objectives:

Specific

- The objectives must be clear and specific rather than ambiguous.

Measurable

- It indicates that the objectives can be measured quantitatively or qualitatively, such as evaluation, assessment, evaluation, etc. The measurement method and content should be standardized, including the measurement timing and sample extraction.

Attainable

- It indicates the objectives can be achieved with great efforts. Avoid setting too high or too low objectives.

Relevant

- The objectives determined shall be closely related to the departments and posts.

Time-based

- The time-based objectives indicate the objectives shall be achieved within a time limit. Quality objectives for maintenance and improvement have time limits, such as the level and duration of maintenance for quality objectives for maintenance, and the level to be attained and the time limit for quality objectives for improvement

In order to guarantee product compliance certification, in various stages from research and development, production to sales, the Group has set up strict evaluation and audit nodes for product compliance, and conducted safety certification and compliance testing on products launched on the market. It ensures that our products meet the safety and compliance standards of the target market at every stage of design and development, prototype verification, and product trial production. The Group has established Quality Control Measures, Finished Product Delivery Management Procedures, Management Regulations on the Market Quality Problems and Management Regulations and Management Regulations on Potential High-risk Problems, covering various stages such as product planning and R&D, raw material procurement, production manufacturing, and after-sales service, which comprehensively improves product process quality management.

We strictly conduct quality inspection before the products leave the factory, and carry out comprehensive review through scientific inspection standards and the established procedures, in order to reduce or avoid potential quality safety risks to the largest extent. Our on-site quality controllers will conduct sampling of finished products, classify the unqualified products in accordance with the Procedures for Unqualified Quality Control, record the situations in the Inspection Report of Finished Product, attach the unqualified products with labels and return them to the warehouse for rework and repair; the products that cannot be repaired shall be handed over to the factory or engineering department for processing, and we will properly keep the scrap record for the reference of future product development. When the product is returned from the market, we will settle the Market Return List to properly dispose of products upon confirmation and ensure continuous improvement in product quality. Through a series of measures, the Group is committed to providing high-quality, safe and reliable products, and ensuring customer satisfaction and trust. We didn't recall any products in the year.

When we receive a return request from a customer, our customer service team will determine if the faulty product needs to be recalled. Once the return is confirmed, the professional test team will conduct a detailed inspection and analysis of the returned products to confirm the problem, and record the processes and results. If a further inspection is required, the product will be safely sealed up and sent back for professional testing with professional equipment in China. We guarantee the transparency of the recycling process and the traceability of products to protect the rights and interests of consumers.

3.3 Customer First

Adhering to the concept of customer-focused, the Group is committed to providing customers with high-quality products and services, handling customer complaints in a timely and reasonable manner, answering customers' doubts and solving customers' problems. To provide high-quality after-sales service, and enhance customers' satisfaction with products and brands, the Group sorts out, analyzes and summarizes customer complaints and feeds back problems, and promotes the improvement of problems, thereby facilitating product quality improvement and iteration, reducing complaints of similar problems, and continuously improving user experience. Our Sino-U.S. customer service teams work together to share information, and synchronize information in a timely manner to enhance customer service consistency on both sides.

Optimization of Customer Service

The Group has formulated the Management Specification for Customer Complaints, the Handling Guide for Customer After-sales Feedback and CX Job Description and Standards, striving to handle customer complaints and inquiries in a rapid and efficient manner through perfect standards and processes. We have two major customer service platforms in place, namely SalesForce and the aftersales system. SalesForce is a third-party integrated email response platform for customer complaints. We focus on handling customer complaints, feeding back problems and formulating solutions, quickly responding to customer needs, and promoting the continuous upgrading of product quality. We focus on collectively answering technical problems, providing after-sales solutions and handling customer service complaints in North America, Europe online product support mailbox, American mall after-sales mailbox and so on. The system can set rules to classify and assign emails to individual teams, which minimizes the occurrence of repeated problems, solves problems for customers, and further consolidates customer satisfaction and brand trust.

Complaint Handling and Response Mechanism

In strict compliance with the Customer Service Code, our customer service team comprehensively optimizes the user experience through customer relation maintenance procedures. The Group ensures that the users' problems can be promptly solved through systematic customer complaint handling and effective feedback mechanisms including recording customer complaints, analyzing reasons and providing solutions and return visits via SC Message, VeSync/Email and Support emails. For negative comments and Q&A, we effectively enhance handling efficiency and user satisfaction through regular inspection, prompt reply and professional knowledge sharing. Meanwhile, we continue to improve products and services through cross-team collaboration and follow-up of negative comments to provide users with higher-quality experience. Our Sino-U.S. customer service teams provide assistance for the U.S. team in solving technical problems, offer flexible after-sales solutions, jointly handle complaints of key customers, process product returns and follow-up service, and enhance the consistency of customer service through information sharing and mutual notification. Our employees are required to regularly improve their product understanding, memorize the working principles and functions of the products, accurately locate the pain points of customers' problems, and provide accurate solutions.

The Specification for Handling Returned Prototypes stipulates on the recovery, sealing, disposal procedures and division of responsibilities, which can ensure prototypes can be recovered and managed in a prompt and effective manner and reasonably utilized, thus enhancing working efficiency and protecting consumers' rights and interests.

During the Reporting Period, the Group recorded no significant complaints from customers about relevant products or services.

3.4 Advertising

Regarding our marketing activities, we completely comply with the relevant laws and regulations where the Company operates, including American State laws on false advertisements and consumer protection and Federal Trade Commission Act. We have established the Advertising Compliance Manual to prevent the provision of false or exaggerated information. We prohibit false publicity and resist any improper behavior that restricts market competition. All advertisements and claims shall be verified to ensure their authenticity and reliability; especially those for health, safety, or product performance. In addition, any advertising or promotion shall not offend the personality and dignity nor incite or condone discrimination of any kind, including discrimination on the basis of race, nationality, religion, gender, age, disability, or sexual orientation. We always guarantee legality, propriety, integrity and truthfulness, thereby fulfilling due social and professional responsibilities, and ensuring the advertising or promotion complies with relevant laws, regulations and moral ethics.

4. RESPONSIBILITY OPERATION

4.1 Risk Management

In order to better manage risks related to business development, we comply with national laws and regulations such as the Code on Corporate Governance of the Stock Exchange, formulate the Management Measures for Comprehensive Risk, implement corresponding management and control measures, and continuously improve risk management and the internal control system.

The Group prevents, controls and dissolves risks and crises that may occur or arise in the process of operation and management of the Group in accordance with the Management Measures for Comprehensive Risk, in order to enhance stable development. The Board of Directors is responsible for assessing and supervising the overall risk management and internal risk system; the Risk Management Committee will put forward the objectives and implementation requirements of overall risk management, review relevant policies and major risk disposal plans; the Group's Risk Control and Audit Department will coordinate the promotion and management of the Company's overall risk management system, set up information system, organize training and evaluate the effectiveness of risk management; the Department will simultaneously supervise and inspect the implementation of solutions. We have established a comprehensive risk management process including collection of initial information, risk assessment, development of strategies, implementation of solutions, daily monitoring and warning, risk treatment, supervision and improvement to ensure that risks are effectively controlled. In addition, we have established strict internal control mechanism, such as post authorization system, approval process system, budget management system, etc., to ensure the effectiveness of risk management and internal control. In the event of a crisis, we set up a crisis management team to deal with it in accordance with established procedures.

4.2 Information Security

Information security is an important part of the Group's overall risk management and is a key factor in maintaining operation stability, protecting customer privacy, and safeguarding trade secrets and the security of our technical assets. In terms of information security, the Group strictly complies with relevant domestic and foreign laws and regulations, including but not limited to the Regulations on the Implementation of the Regulations on Security Protection of Computer Information Systems of the PRC and the Federal Trade Commission Act, and formulates several information management systems such as Network Security Management Strategy, Information Security Risk Assessment Management Strategy, Information Security and Privacy Protection Management Manual, etc.

In order to strengthen the Group's information security management, we specify the structure and responsibility in the Management Measures for Information Security Group. The Information Security Committee, as the highest decision-making body, is composed of senior leaders, responsible for the review and approval of information security strategies; the Information Security Task Force is responsible for the supervision and coordination of the implementation of information security policies; each department shall promote and ensure the implementation of information security policies. We set up a three-tier structure of decision-making, management and execution to ensure the effective implementation of information security management. The IT department is responsible for formulating and improving the information security management system, and each department designates information security personnel to implement daily security work and ensure the security of information assets. During the year, we implemented the annual information security inspection plan, focusing on the inspection of IT network operation, sensitive data processing, etc., to ensure that the Group strictly complies with the principle of security and maintains a high level of information security.

We have formulated the Information Asset Management Strategy, conducted classification, grading and label management of various information generated in the business activities, and stipulated the requirements and responsibilities in terms of identification, classification, grading, labelling and protective measures of information assets, in order to protect the security of information assets, and prevent the occurrence of information leakage, damage and abuse.

We have established the Management Measures of IT Information Technology Security, which not only protects information assets, but also strictly controls the operation of information processing-related activities. The information security group ensures that each business department can abide by relevant regulations, and provide reliable and safe service experience for customers in a regular or sample basis manner.

In accordance with the Management Measures of IT Information Technology Security, we provide all-round protection of information assets to ensure the security and integrity of customer data. In order to continuously optimize privacy protection measures, we regularly review and update relevant systems to ensure that they comply with the latest laws, regulations and technical standards.

During this year, we have officially obtained the certification of ISO/IEC 27001:2022 Information Security Management System and ISO/IEC 27701:2019 Privacy Information Management System from BSI (British Standards Institution). We have achieved a higher standard in the information security and privacy management. By strictly implementing information security and privacy information management system, we are committed to providing customers with more secure and reliable service.

During the year, we have not been reported to receive any complaints about material breach of personal data.

Customer Information Management

To ensure the effective protection of customer privacy, the Group has established the Privacy Protection Strategy, specifying responsibilities of each department when processing personal data. We have also established an Information Security and Privacy Protection Committee, a task force and an implementation team, in order to ensure the effective implementation of strategies. When collecting personal data, we shall inform the personal data owners or customers of the type of personal data, and make clear the purpose and manner of processing. When personal data are processed based on consent, a record of consent shall be kept and the personal data owner shall be given the right to withdraw consent. If the Company learns any breach of personal data, it shall promptly conduct internal investigations and take remedial measures.

The Group established the Information Security and Privacy Protection Committee (formerly known as the Information Security Committee at the end of 2022, which directly reports to the Chairman. The VP with a technical background serves as the chairman of the committee, responsible for the overall arrangement of the planning, resource allocation, annual plans and implementation of information security and privacy protection.

The data compliance team mainly implements and optimizes PIA (privacy impact assessment) and SDL (security development lifecycle), and embeds these procedures into the daily business activities. The team also holds weekly privacy compliance review meetings to identify and handle business data compliance risks in a timely manner. In addition, the team conducts regular drills about the response to the breach of personal data, in order to improve the emergency response capability.

From a technical and operational perspective on privacy compliance, the Group has conducted a systematic review and developed a series of key technical specifications to ensure that we complies with privacy regulations when handling personal data. These specifications include the “Vesync Group Privacy Requirements Design Specification,” “Privacy Impact Assessment (PIA) Questionnaire,” “Personal Data Retention and Deletion/Destruction Specification,” “Personal Data Classification and Categorization Guidelines,” “Personal Data Breach Response Procedure,” “Privacy Notice Change Management Specification,” and “Data Subject Consent Management,” among others. The objective of these specifications is to translate external legal requirements and standards into baseline requirements and operational guidelines that can be directly implemented by business units. By publishing and enforcing these specifications, the Group has established a systematic and actionable privacy compliance framework. This ensures ongoing alignment with privacy laws and best practices at the technical level, thereby enhancing operational efficiency while maintaining compliance, and ensuring that compliance standards are effectively and sustainably integrated into daily business operations.

During the reporting period, the Group did not receive any substantiated major complaints regarding customer privacy breaches or the loss of customer data.

4.3 Protecting Intellectual Property

We strictly adhere to the laws and regulations of the jurisdictions in which we operate, including the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Copyright Act of the United States, and the Patent Act of the United States. We strengthen the protection of our Group's intellectual property rights through the "Intellectual Property Management System", which standardizes the management of intellectual property, including patents, trademarks, copyrights, integrated circuit layout designs, and trade secrets. Our intellectual property affairs are centrally managed by the Intellectual Property Department and the Legal Department. The primary responsibilities of these departments include formulating management regulations, establishing management processes, and overseeing application evaluations. We have also established processes for intellectual property novelty searches and retrieval, as well as a trade secret protection system. We require all departments to conduct intellectual property registration, filing, and application work to safeguard intellectual property.

The Group has established the "Patent Process Specification" and the "Patent Application Review Specification" to ensure proper patent protection. Each quarter, we compile a list of invention patents from the previous quarter and organize meetings to discuss and determine the list of invention patents to be reviewed. We ensure that every invention patent undergoes rigorous evaluation and review, thereby enhancing the quality of patent applications.

During the Reporting period, the Group held a total of 689 registered patents globally, including 117 invention patents, 202 utility model patents, and 370 design patents.

4.4 Adhering to Business Ethics

The Group strictly complies with the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Company Law of the People's Republic of China, the U.S. Foreign Corrupt Practices Act (FCPA), and other applicable laws and regulations in the jurisdictions where we operate. Through system development and sustained investment, we ensure that our operations remain lawful and compliant, preventing illegal activities such as bribery, extortion, fraud, and money laundering. We firmly resist commercial fraud and any behavior that violates the principles of fair competition. To further enhance employees' integrity, self-discipline, and risk awareness, the Group has formulated and strictly enforces the Regulations on Anti-Bribery, Anti-Corruption, Anti-Fraud, and Whistleblowing Management. This strengthens the anti-corruption awareness of management personnel and includes specialized training activities focused on internal control risk prevention and fostering a culture of integrity and self-discipline. We are committed to building a compliant culture rooted in honesty and integrity. When employees sign their labor contracts, they are also required to sign a Pledge to Comply with Vesync's Regulations on Anti-Bribery, Anti-Corruption, Anti-Fraud, and Whistleblowing Management, ensuring adherence to the requirements of integrity, honesty, and opposition to bribery, corruption, and fraud.

To create an honest and transparent work environment, our group continuously reinforces all employees' anti-corruption awareness and spirit of self-discipline through various channels, including internal consultation platforms, integrity education activities, and daily promotions. We ensure that all directors, executives, and employees receive in-depth anti-corruption training during the reporting period. This year, we launched a specialized training program on "Corporate Anti-Corruption and Anti-Fraud." The training covers a wide range of topics, including the definition of fraudulent behavior, inappropriate actions prohibited by the company, analysis of real cases, and internal reporting mechanisms. We require directors and employees to uphold high standards of professional ethics and adhere to the core principles of legal operation and quality service. Through multi-level and multi-form promotional and educational activities, such as regular integrity training and daily ethical advocacy, we are committed to enhancing employees' awareness of integrity and building a culture of honesty and public service within the company.

We steadfastly promote the values of integrity, righteousness, and honesty, adopting a zero-tolerance stance toward any form of corruption or fraud. We encourage employees to strictly adhere to laws, regulations, and professional ethical standards in their daily work, appropriately handling potential conflicts of interest and temptations. Through these measures, we strive to create a fair and transparent work environment, ensuring that all business activities are conducted based on principles of honesty and trust. This year, we provided anti-corruption training to directors and employees to maintain a work ethic of integrity and self-discipline.

The Company's Principles for Prohibited Anti-fraud Behaviors specifies:

The company advocates a culture of integrity, honesty, and cleanliness, fostering an organizational environment conducive to anti-bribery, anti-corruption, and anti-fraud efforts.

Senior management of the company leads by example, actively complying with laws and regulations as well as internal policies. They work to establish and improve internal control mechanisms for anti-bribery, anti-corruption, and anti-fraud initiatives.

The company encourages employees to adhere to laws and ethical standards in their daily work and business operations, and to appropriately handle any conflicts of interest and temptations that may arise in the workplace.

Reporting and Handling Mechanism

We place great emphasis on integrity and compliance, and to this end, we have established a rigorous reporting mechanism with confidentiality as the top priority. We strictly adhere to laws, regulations, and internal company requirements regarding the confidentiality of whistleblowers and their reports, ensuring that all information is kept absolutely confidential throughout the processes of acceptance, registration, storage, and investigation, with no tolerance for any form of leakage or loss. To facilitate reporting by all parties, we provide multiple channels, including email, phone, WeChat, written letters, and in-person visits, encouraging employees as well as individuals or entities directly or indirectly involved in economic relationships with the company (such as suppliers, partners, and their employees) to actively report any improper conduct.

We adopt a "zero-tolerance" stance toward any form of fraudulent behavior, regarding it as a violation of the company's strict red lines. Any breach of the "Vesync Anti-Bribery, Anti-Corruption, Anti-Fraud, and Whistleblowing Management Regulations" will result in immediate termination of employment and the forfeiture of previously granted incentives such as performance bonuses. For actions suspected of violating laws or constituting crimes, the company will refer the matter to judicial authorities in accordance with the law, showing no leniency.

During the Reporting Period, the Group has not encountered any litigation related to corruption or fraud, nor has it received any complaints or reports regarding corruption or bribery.

5. SUPPLY CHAIN MANAGEMENT

We value cooperative management with our suppliers, continuously providing customers with high-quality products and services. We require all suppliers to comply with local laws and regulations, including but not limited to the Bidding Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Interim Provisions on Prohibiting Commercial Bribery. We have established various internal systems to regulate supplier behavior and build stable, reliable supply chain partnerships, striving to promote mutual benefit and win-win outcomes for both parties.

Supplier Review

The Group adheres to the principles of fairness and impartiality in selecting suppliers. In our supplier entry process, we have established systems such as the "Supplier Sourcing Management Process, Supplier Audit Management Standards, and Supplier and Procurement Management Procedures". When selecting new suppliers, we first evaluate their performance in areas such as production capacity, technical capability, and quality management systems, followed by an on-site audit of the new suppliers to ensure they meet all requirements. Our suppliers are required to comply with ISO9001 quality management system certification or hold third-party certifications as a means of screening, resulting in a list of suppliers that meet the specified conditions, including details such as their scale. We impose strict environmental requirements on the product packaging materials of our suppliers, mandating that they sign the Declaration of Environmental Compliance for Product Packaging Materials to ensure compliance with regulations such as EU REACH, 94/62/EC, U.S. TPCH, and France's AGEC laws.

We have standardized the workflows of our procurement management procedures, requiring all cooperating suppliers to comply with applicable laws and regulations. If any violations are discovered, the Group will suspend or terminate its relationship with the supplier. These violations include, but are not limited to, areas such as environmental protection, employment practices, health and safety, and anti-corruption.

During the reporting period, the Group had a total of 50 finished product procurement suppliers, all of whom followed the relevant supplier practices. The breakdown by region is as follows: 12 in the Yangtze River Delta, 35 in the Pearl River Delta, and 3 in Xiamen.

Supplier Assessment

We regulate the procurement process in accordance with systems such as the “Procurement and Supply Chain Management Policy”, which also serves as a strict and impartial ethical conduct guideline that suppliers and contractors must follow. We regard suppliers as key partners in achieving sustainable performance. Therefore, we have established the “Supplier Performance Management system”, through which we regularly monitor and evaluate suppliers’ performance in areas such as quality, procurement, and delivery. By adopting data-driven management, we quantify suppliers’ performance. We not only score suppliers based on materials and quality but also strengthen management processes to ensure we have a clear understanding of their product quality, thereby enhancing our own product quality to meet market standards.

Through the “Supplier Tiered Management system”, we assess suppliers. At the end of each year, the procurement department classifies suppliers based on their performance and importance. Suppliers are tiered according to their annual procurement amount and significance: Tier I suppliers undergo quarterly assessments, Tier II suppliers are evaluated every six months, and Tier III suppliers are assessed annually. For all tiers, quality personnel are required to inspect shipments to ensure product quality. We have developed internal procedures and measures to oversee suppliers and manage environmental and social risks within the supply chain. Before commencing business cooperation, suppliers must sign the “Integrity Procurement Agreement”.

During the Reporting Period, all suppliers signed the “Supplier Code of Conduct”. The Group periodically conducts on-site audits to assess suppliers’ compliance with this code. If any behavior violates the code, we will require the supplier to rectify the issue within a specified timeframe. Failure to complete the rectification within the deadline will result in the termination of the partnership.

Supplier social responsibility and environmental compliance standards

Labor standards

- Prohibit the use of child labor in any form
- Fair working hours and vacation time
- Compensation paid to employees in compliance with all applicable wage laws
- Non-discrimination and harassment
- Freedom of association
- Prohibition of forced labor

Ethical standards

- Prohibit any form of bribery, corruption, extortion and embezzlement
- Protect intellectual property rights and protect customer information
- Adhere to fair trade, advertising and competition standards
- Commit to protecting the privacy of personal information of all business-related personnel

Environmental standards

- All required environmental permits should be obtained, maintained and kept current
- Comply with all applicable laws and regulations regarding prohibited or restricted substances and customer requirements
- Comply with all applicable laws and regulations regarding pollutants (including wastewater, waste gas, solid waste)
- Take conservation and substitution measures to reduce the consumption of energy, water, and natural resources to reduce greenhouse gas emissions

Health and safety standards

- Ensure the occupational safety of employees
- Hazards and emergencies should be identified, assessed, and preventive measures taken
- Provide employees with a hygienic and healthy working environment

6. EMPLOYMENT MANAGEMENT

The Group is committed to building a diverse, fair, and open inclusive workplace environment. We care about the physical and mental health of our employees, continuously improving the work environment and benefits to enhance employee satisfaction and well-being. As of December 31, 2024, our total workforce reached 1,408 employees, with detailed employee profiles as follows:

Employee Profile		No. of employees
Employee distribution by gender	Female employees	654
	Male employees	754
Employee distribution by employee category	Full-time junior employees	1,343
	Full-time middle management	47
	Full-time senior management	18
Employee distribution by age group	Aged below 30 employees	595
	Aged between 30–50 employees	770
	Aged above 50 employees	43
Employee distribution by geographical location[1]	Employees in China	1,253
	Employees in the United States	137
	Employees in other regions[2]	18

6.1 Employee Management

We are committed to fostering a positive corporate culture and promoting the collective development of our employees. We strictly adhere to relevant laws and regulations in the regions where we operate, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Provisions on the Prohibition of Child Labor. We have also developed an Employee Handbook that provides detailed regulations and guidance on employee conduct, recruitment, attendance and leave, compensation and benefits, training and development, transfers and promotions, rewards and penalties, termination of employment, communication mechanisms, and confidentiality policies, ensuring that employees clearly understand their responsibilities.

1 According to the actual working locations

2 Other regions: Japan, the United Kingdom, Germany and other countries or regions

As a responsible employer, we implement systems related to employee recruitment and resignation, upholding rigorous hiring principles and standardized onboarding and offboarding procedures. We value both talent and integrity, prioritizing character, and actively promote the development of a diverse team, firmly opposing any form of discrimination, including but not limited to race, color, religious belief, or gender. To eliminate child labor and forced labor, we rigorously verify the information of each candidate during the recruitment process, ensuring all employees meet the legal working age and signing legally compliant labor contracts with them. Through thorough background checks, we validate applicants' educational and work experiences, safeguarding the legitimate rights and interests of both parties.

We have established a strict Interview Process and other related systems, encompassing initial screening, multiple rounds of interviews with business departments, senior-level review, and final determination of job level and salary. The Group enters into legally binding employment agreements with employees in accordance with the Labor Law of the People's Republic of China and the U.S. Fair Labor Standards Act, clearly stipulating the minimum employment age, regular working hours, and arrangements for overtime when necessary, based on the laws of the regions where we operate. Should any violations be identified, the Group will promptly conduct investigations, impose disciplinary actions, or handle the matter in accordance with relevant laws and regulations. New employees undergo a probationary period upon joining to ensure their capabilities align with job requirements. Our recruitment process is transparent and fair, aimed at selecting the most suitable talent. When terminating employees, we strictly adhere to local employment laws and follow standardized procedures to ensure fairness, transparency, and legal compliance. For employees who resign voluntarily, we carefully investigate the reasons for their departure to improve and optimize our human resource management practices.

The Group is committed to creating a fair, just, and transparent work environment, ensuring that every employee can thrive in an atmosphere of respect and support. We not only focus on talent selection but also emphasize long-term career development and personal growth. Through these measures, we safeguard employees' rights while laying a solid foundation for sustainable development.

During the Reporting Period, the Group recorded no significant violations related to compensation and dismissal, recruitment and promotion, working hours, leave, equal opportunity, anti-discrimination, other benefits and welfare, employment, human rights violations, or the use of child labor or forced labor.

6.2 Employee Compensation and Benefits

The Group places great importance on employee compensation and benefits, continuously refining the performance and salary management mechanisms to provide competitive remuneration and robust, stable protections.

We have established the Performance Management System to ensure that compensation aligns with employees' job levels. We value employees' performance, and the results of performance evaluations are applied to management activities such as year-end bonus distribution, annual salary adjustments, job level promotions, and leadership appointments. We periodically assess and improve employees' work performance, driving continuous enhancement of their performance.

The Group places significant emphasis on employee welfare and benefits, adhering to local laws and regulations while continuously improving employee compensation management and performance systems to provide solid and stable protections. In addition to statutory benefits such as public holidays, annual leave, maternity leave, and other mandated leave, we offer additional perks, including holiday cash/gifts, sickness subsidies, condolence payments, team-building activities, education subsidies, annual health checkups, and supplementary commercial insurance. Each year, the Group organizes physical examinations for employees to help them monitor their health. This year, we provided employees with various checkup options. During festivals such as the Dragon Boat Festival and Mid-Autumn Festival, we distribute festive gifts and hold collective events like garden parties. The Group has established a clear overtime management system, requiring employees to submit overtime applications in advance and obtain approval. We arrange compensatory time off based on actual circumstances, adjusting the duration of compensatory leave according to the hours worked to ensure employees' rightful rest and vacation entitlements. For employees working overtime, we also provide additional benefits such as overtime pay. Furthermore, we have formulated a detailed business travel reimbursement policy, including meal allowances and other reasonable travel expense subsidies, ensuring employees receive fair compensation during business trips. Through this series of employee welfare measures, we strive to create a warm working environment, enhance employee benefits, and foster a stronger sense of belonging and well-being among our staff.

We actively organize a variety of engaging employee activities and diverse welfare initiatives, such as celebrations for International Women's Day on March 8, Mid-Autumn Festival reunions, and quarterly team-building events. Through these carefully planned activities, we aim to help every employee find joy in their work, feel cared for in their personal lives, and truly integrate into this vibrant corporate family.

Celebration of International Women's Day (March 8) Event

To celebrate International Women's Day, we organized an employee event to express care and blessings to all female employees, with the theme centered around "Health, Romance, and Confidence." We distributed gifts including chia seed (tea) and rose tea, along with the book *Breathing for Health*, reflecting our focus on employee well-being. Additionally, we provided a health knowledge card with advice related to women's health, promoting a healthy lifestyle.

Mid-Autumn Festival Employee Event

During the Mid-Autumn Festival, we organized a variety of engaging activities, including teaching employees to make pastries by hand. This not only enhances team cohesion but also allows employees to experience the charm of traditional culture in a relaxed and joyful atmosphere, creating a warm and unforgettable festival together.

Dragon Boat Festival Event

To promote traditional Chinese culture and enrich employees' cultural lives, we organized an event during the Dragon Boat Festival to teach everyone how to wrap delicious traditional zongzi (sticky rice dumplings), spending a joyful and meaningful festival together!

6.3 Fostering Employee Growth

We encourage our outstanding talent to grow and develop alongside the Group's business. The Group is committed to supporting the needs of employees at all levels and motivating them to strive for excellence. We have established various training programs to ensure employees can enhance their skills.

We place great importance on employee training and development, viewing it as a key driver of our sustained growth and innovation. To enable employees to fully realize their potential in their respective roles, we have built a comprehensive training system that encompasses new employee onboarding training, professional skills enhancement, leadership development, and career planning, among other areas.

We offer diverse training programs tailored to different departments, comprehensively enhancing employees' professional skills and the service quality of our partners. These trainings include "Principles and Applications of Sensor"s, "Procurement Planning and Payment Processes", "Java Programming Basics", and "Market Quality Process Training", covering multiple fields. Through systematic learning and practice, we strengthen the capacity building of our internal teams, promote the collaborative development of the supply chain, and lay a solid foundation for our long-term development and competitiveness.

To help new employees quickly integrate into the Vesync family, we have prepared a series of online and offline courses for them. These courses cover topics such as company culture, development history, key business processes, employee benefits, career development, and data compliance, providing a comprehensive introduction to the Group and assisting new employees in adapting to their new environment.

This year's 2024 Campus Recruitment Training not only helps new employees clarify their career plans and development directions but also boosts overall team cohesion and work efficiency. Activities such as "Introduction to Vesync and Executive Sharing and The Global Journey of VeSync Products" allow campus recruits to experience the professionalism and standardization of the Group, thereby enhancing their sense of identification. Our program is structured in different phases, with the stages outlined as follows:

Stage	Topics and content
First Week of Onboarding	We will conduct a comprehensive introduction to the company. The training will focus on providing essential knowledge and skills, covering aspects such as product knowledge, business processes, and work tools. Additionally, we will provide a detailed overview of career advancement pathways, training opportunities, and mentorship programs to help new employees plan their future career development direction.
3–6 Months of Employment	we will review and summarize the growth and progress made since onboarding. We will also set small goals for the next phase to continue fostering development.
Continuous training after joining the company	We will provide new employees with a wealth of learning resources, such as online courses, webinars, etc., to help them continuously improve themselves at work. In addition, there is a mentor program to pair new employees with experienced mentors to provide one-on-one guidance and assistance to ensure their continued growth and development in their careers.

Employee Promotion Pathway

We provide employees with a well-established career development system. To encourage skill enhancement, we consider multiple factors during employee promotions, including performance and capability orientation, reasonable development path orientation, and total cost control orientation. We have formulated the "Promotion Plan for the First Half of 2024" and the "Promotion Plan for the Second Half of 2024", which clearly outline the frequency and scale of promotions, staffing plans and requirements, and promotion rules. These plans include two key components — promotion assessment and the promotion process — helping employees fully understand the requirements and procedures for advancement, thereby enabling them to better achieve their career development goals.

Indicator		Average training hours (hours)[3]	Training rate[4]
By gender	Female employees	7.91	39.93%
	Male employees	10.23	60.07%
By employee category	Full-time junior employees	8.81	96.11%[5]
	Full-time middle management	17.09	3.23%
	Full-time senior management	1.42	0.67%

3 Calculated as follows: (Total training hours for employees in this category/total number of employees in this category) x 100%

4 Calculated as follows: (Number of trained employees under this category/total number of trained employees) x 100%

5 All data involving decimal places is rounded off.

6.4 Health and Safety of Employees

The Group focuses on employees' occupational health and earnestly ensures their occupational safety. We continuously strengthen safety management and occupational health protections, strictly adhering to laws such as the Work Safety Law of the People's Republic of China, the Fire Protection Law of the People's Republic of China, the Labor Law of the People's Republic of China, and the U.S. Occupational Safety and Health Act. We comprehensively implement safety management practices to safeguard employees' occupational health, ensuring our operations comply with occupational health and safety standards.

The Group has established the Work Safety System to enhance employee safety protection. Our Work Safety Target Management System clearly defines our safety objectives and formulates corresponding plans and measures. By setting explicit safety goals and responsibilities, we aim to heighten employees' safety awareness. We have also developed internal management documents such as the "System for Establishing Safety Management Bodies and Assigning Safety Personnel", the "Equipment and Facility Maintenance Management System", and the "Fire Safety Management System". These documents detail the requirements and standards for safety management, safe operating procedures, emergency plans, and more, reducing accident risks and ensuring safety compliance.

We have established a safety management organization with clearly defined responsibilities. By specifying the duties of each role, we ensure the orderly execution of safety management tasks, elevate overall safety management standards, and protect employee safety.

Management level	Responsibilities
Safety Production Committee	— Implement national laws and regulations on work safety — Develop and oversee the work safety system — Formulate and conduct drills for emergency response plans, and develop safety plans for hazardous projects — Regularly hold work safety meetings, organize safety training, inspections, and hazard rectification
Full-Time Safety Personnel	— Inspect and document on-site work safety conditions, oversee the implementation of safety plans for hazardous projects — Correct and address violations — Immediately rectify safety hazards — Report major safety hazards or those that cannot be resolved — Report safety incidents according to procedures
Departmental Part-Time Safety Personnel	— Inspect and document workshop safety conditions, correct and address violations — Oversee the implementation of safety plans for hazardous projects in the workshop, maintain workshop safety management records — Report major safety hazards or those that cannot be resolved — Report safety incidents according to procedures — Submit monthly reports to the Work Safety Committee

To reduce workplace injuries and effectively prevent and address fire incidents in a timely manner, we implemented the Fire Safety Management System to safeguard employees and production equipment. We assess the production environment, process workflows, and firefighting facilities to determine the likelihood and impact of fire incidents, and develop corresponding fire prevention measures. Based on our specific needs, we equip appropriate firefighting facilities such as fire extinguishers, fire hydrants, and automatic sprinkler systems, and conduct regular inspections and maintenance to ensure their proper functioning.

We comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, implementing measures to prevent, control, and eliminate occupational disease hazards, protect the physical health of employees, and manage occupational hazard factors in the work environment. To ensure employees' health, we provide physical examination services. We arrange annual occupational health checkups for all employees. We also regularly conduct inspections of occupational hazard factors in the work environment, perform occupational hazard assessments, and promptly adopt protective measures, including providing personal protective equipment, to prevent or mitigate harm from accidents and occupational hazards, ensuring comprehensive protection of employees' occupational health. At our production sites, we implement the Emergency Plan for Production Safety Accidents, developing on-site response plans for various types of incidents, including initial fires, electrical shocks, and mechanical injuries. Through accident risk analysis and emergency preparedness measures, we aim to minimize casualties and property losses to the greatest extent possible in the event of an incident.

Safety Culture Development

We have established the "Safety Training and Education Management System" to provide appropriate safety training to employees, ensuring they possess the necessary knowledge and skills for safe production while working in different positions. The training ensures that employees understand and comply with the safety production laws and regulations set by national and local governments, as well as familiarize themselves with the company's safety production rules and operating procedures to ensure safe and standardized operations. We also train employees to correctly carry out emergency rescue and first aid, reducing injuries caused by accidents and addressing the risks and safety measures present in the workplace and job sites. This preparation enables them to respond effectively in emergency situations, thereby minimizing the harm caused by accidents.

7. ENVIRONMENTAL PROTECTION AND MANAGEMENT

The Group is acutely aware that environmental protection is the cornerstone of sustainable development for enterprises. We believe that a company's success is not only reflected in economic benefits but also in its responsibility towards society and the environment. We strictly comply with the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations to ensure that our operations meet environmental protection requirements and are committed to reducing negative impacts on the environment. We promote resource recycling and energy conservation while actively supporting the goals of peak carbon emissions and carbon neutrality.

During the Reporting Period, our Group was not aware of any cases of violations of environmental protection laws and regulations.

We have reviewed the environmental goals we have set and continuously monitor various emission sources, striving to move towards energy conservation and emission reduction. We have established corresponding policies to ensure the effective use of resources, gradually implementing these measures across different departments to reduce our environmental impact and contribute to building a better planet.

7.1 Emission Management

The Group complies with the Air Pollution Prevention and Control Law of the People's Republic of China and actively works to minimize waste gas pollution generated during business operations. We recognize that electricity usage in offices and emissions from company vehicles are significant sources of greenhouse gases in our daily business activities. In response, we actively practice low-carbon operations, such as dividing the office into several lighting zones with independently controlled switches, promoting the use of energy-saving bulbs in office and work areas, and maintaining our fleet in Dongguan to reduce emissions of additional pollutants. Our Dongguan factory implements an annual energy-saving and consumption-reduction work plan, valuing every kilowatt of electricity, every sheet of paper, and every drop of water to minimize the carbon footprint during operations. We aim to protect the environment more effectively and cherish natural resources.

The Group consistently adheres to national environmental protection regulations and conducts detailed annual statistics on greenhouse gas emissions. To ensure the accuracy and transparency of the data, we conduct a comprehensive assessment of greenhouse gas emissions from our offices in Shenzhen, Chongqing, the United States, and our Dongguan factory according to the Greenhouse Gas Protocol (GHG Protocol) jointly established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as the ISO 14064-1 standard from the International Organization for Standardization (ISO). During the Reporting Period, our greenhouse gas emission data is as follows:

GHG emissions Performance	Unit	2024
GHG emissions[6]		
Direct GHG emission (Scopes 1)	tonnes of CO_2e	31.12
Indirect GHG emission (Scopes 2)	tonnes of CO_2e	1,232.08
Total GHG emission (Scopes 1 and 2)	tonnes of CO_2e	1,263.20
GHG emissions intensity		
GHG emissions per square meter (Scopes 1 and 2)	tonnes of CO_2e/m^2	0.02
GHG emissions per employee (Scopes 1 and 2)	tonnes of CO_2e/employee	0.90

Scope 1: GHG emissions from all sources owned and controlled by the Group, including fuel consumption of the Group's vehicles.

Scope 2: GHG emissions caused by power generation, heating and cooling or steam purchased by the Group, including the use of electricity during the Group's operations.

Apart from GHG emissions, the types and data of emissions generated by the vehicles are as follows:

Type of emissions[7]	Unit	2024
Nitrogen oxides (NO_X)	kg	20.78
Sulfur dioxide (SO_2)	kg	0.03
Particulate matter (PM)	kg	1.20

This year, direct greenhouse gas emissions (Scope 1) have decreased compared to 2023. The greenhouse gas emissions per square meter have also declined since 2023. However, the greenhouse gas emissions per employee saw a slight increase of 15.92%[8]. We have reviewed our environmental goals regarding emissions and confirmed their applicability this year. Based on the Group's measures to reduce emissions, we are actively implementing these strategies. We will continue to execute emission reduction measures to further decrease our overall emissions.

6 Calculated by reference to the emission factors from Appendix II: Reporting Guidance on Environmental KPIs issued by the Stock Exchange and the IPCC Fifth Assessment Report

7 Calculated by reference to the emission factors from Appendix II: Reporting Guidance on Environmental KPIs issued by the Stock Exchange

8 The slight increase in greenhouse gas emissions per employee compared to 2023 is attributed to the addition of laboratories and corresponding equipment, which has resulted in higher electricity consumption. This reason is considered reasonable.

7.2 Resource Management

In response to the national dual carbon strategy, the Group implements environmental protection measures in all operational processes within offices and projects. We invest more resources to protect the environment and use energy in a more energy-efficient and cost-effective manner. We have adopted various energy-saving measures and implemented the "Annual Energy Saving and Consumption Reduction Work Plan" this year, aiming to improve energy efficiency and reduce operational energy consumption in areas such as water, electricity, gas, and office expenses, as outlined in the table below:

Air Conditioning System	• Regular cleaning and maintenance to maintain efficiency • Setting appropriate temperatures for the system
Lighting System	• Replacing equipment with high energy efficiency when necessary • Dividing the office into different lighting zones with independent control switches • Developing the habit of turning off lights before leaving the office • Posting energy-saving responsibility reminders (labels on electrical switches)

We have reviewed our environmental goals regarding energy efficiency and confirmed their applicability this year. Based on the Group's energy-saving measures, we are actively implementing them. However, progress towards energy usage efficiency goals needs improvement. We will implement further energy-saving measures to reduce electricity intensity.

During the Reporting Period, our energy consumption data is as follows: the total electricity consumption was 2,406,114.46 kWh, which represents a slight increase of 10.74%[9] compared to 2023. This increase is attributed to the addition of laboratories and corresponding equipment.

Energy consumption performance	Unit	2024
Total electricity consumption	kWh	2,406,114.46
Electricity consumption per square meter	kWh/m^2	41.38
Electricity consumption per employee	kWh/employee	1,708.89

9 The reason for the increase in total power consumption is the addition of laboratories and corresponding equipment, and the reason for the increase is reasonable.

Water Resource Management

We place great importance on water resource management and actively promote water-saving measures to reduce water consumption. Our Group's water supply comes entirely from the municipal water network, and there are no issues with sourcing water in our operations. We advocate for water conservation and regularly inspect water pipes and facilities. If leaks are discovered, we promptly repair them to prevent water wastage.

In our production operations, we do not generate industrial wastewater, but employee dormitories do produce domestic wastewater. To ensure that this domestic wastewater is properly treated and meets environmental protection requirements, we have implemented a series of effective management and technical measures. We have fully completed a stormwater and sewage separation project, which collects and discharges rainwater and sewage separately. This effectively prevents rainwater from mixing with the sewage system and improves the efficiency of water resource utilization. The project has passed rigorous acceptance by local environmental protection and water affairs departments, confirming its compliance with relevant environmental standards and technical specifications.

To reduce water resource wastage and improve the utilization rate of water resources, we have implemented the following measures:

Measures to Improve Water Efficiency	• Use water-efficient sanitary ware in the office • Develop the habit of turning off taps tightly when not in use • Post water-saving slogans to cultivate employees' awareness of water conservation • Install infrared sensor faucets • Regularly conduct leakage tests and inspections of concealed water pipes and overflowing tanks

Water consumption performance	**Unit**	**2024**
Total water consumption	m^3	41,610.00
Total water consumption intensity (per square meter)	m^3/m^2	1.33
Total water consumption intensity (per employee)	m^3/employee	33.13

We have confirmed that the water efficiency goals remain applicable. During the reporting period, our total water consumption has increased compared to 2023. We continue to adhere to the Group's water-saving policy and actively implement various water conservation measures.

7.3 Waste Management

Hazardous Substance Management

We recognize the importance of reducing electronic waste to prevent pollution and protect natural resources. Our Group actively implements waste reduction measures in accordance with relevant policies. We engage qualified service recyclers and have signed a "General Industrial Waste Treatment Contract" with them. The recyclers are responsible for the collection, classification, and transfer of waste, ensuring that the entire process is professional and compliant. To enhance waste management efficiency, all waste is categorized, including recyclable resources (such as scrap metal), waste gas treatment, sewage treatment, and cleaning services. These classification and handling tasks are carried out by licensed contractors to ensure that each type of waste is managed and disposed of appropriately. Our waste is either recycled by qualified professional recyclers or sent to government-designated facilities for incineration, treatment, and final disposal as required.

The Group reduces waste generation through the following measures, practicing source reduction, recycling, and proper disposal to ensure waste is handled appropriately:

Paper Management	• Encourage double-sided printing and copying • Monitor the use of office copiers and printers • Promote the use of recycled paper • Use smaller fonts and line spacing when printing • Communicate through electronic means such as email • Use an electronic office system (OA System) to replace paper-based administrative systems • Regularly track paper usage to monitor consumption and implement appropriate improvement measures
Non-Hazardous Waste Management	• Arrange cleaning staff to collect office waste daily, which is then handled by the building's property management • Use waste sorting bins or other applicable devices to recycle paper, metal, and plastics
Hazardous Waste Management	• Use recyclable ink cartridges and toner cartridges • Old computers are uniformly recycled through a professional electronic product recycling company • A battery recycling box has been set up in the Shenzhen office • Assess material usage to avoid excessive inventory • Reduce the use of disposable and non-recyclable products

We have reviewed our environmental goals regarding material savings and confirmed their applicability this year. Based on the Group's measures for material conservation, we are actively implementing these strategies. The usage of paper has decreased, but during the reporting period, our waste generation intensity data indicates that the amount of non-hazardous waste has increased compared to last year. The environmental goals for waste generation need improvement. We will implement measures to conserve materials and reduce waste generation.

Amount of non-hazardous waste generated	Unit	2024
Total non-hazardous waste	tonnes	165.42
Non-hazardous waste generated per employee	tonnes/employee	0.15

7.4 Addressing Climate Change

In actively responding to the national goals of "carbon peak and carbon neutrality," we identify and assess the climate change risks faced during our operations and implement various carbon reduction measures to minimize the negative impacts of climate change. Moving forward, we will continue to enhance our climate-related information disclosure, ensuring steady progress on our path toward sustainability. We strive to identify and address the challenges posed by climate change through measures, risk management, and goals.

Climate Change Management		
Governance	—	Incorporate climate change issues into important topics of corporate concern, with the Board overseeing and managing the company's climate change matters.
	—	The Board identifies and addresses significant climate-related issues that may impact the company, with relevant business departments integrating climate change management into their daily operations.
Strategy	—	Identify risks and opportunities arising from climate change on company operations, referencing the "Climate Information Disclosure Guidelines" provided by the stock exchange and industry practices to explore climate-related opportunities further.
Risk Management	—	Optimize risk management processes, including the identification, assessment, and management of both physical risks and transition risks.
	—	Develop and implement corresponding mitigation measures for identified climate risks.
Metrics and Targets	—	Collect and disclose greenhouse gas emissions data and emission intensity.
	—	Establish directional targets for reducing greenhouse gas emissions and actively implement them. Under similar operational conditions, review the baseline year to maintain or gradually reduce greenhouse gas emission intensity.

We recognize and assess climate-related physical risks (such as extreme weather events) and transition risks (such as changes in policies and regulations). Through effective measures, we mitigate these risks to ensure the Group can operate robustly amidst the challenges of climate change.

Identified climate risks	Cases	Potential impact	Responses to mitigate risks
Physical climate risk	• Extreme high temperatures, urban flooding and rising sea levels	• Extreme weather events, such as typhoons, may lead to operational sites and production bases being unable to function normally, impacting the safety of machinery and employees. • Extreme weather can cause supply chain instability or even interruptions. • Damage to infrastructure and equipment may occur. • Unexpected power outages at office locations can disrupt operations. • Damage or destruction of factory facilities due to extreme weather results in repair and replacement costs. • Normal production and operations may be affected, leading to increased operational costs.	• Regularly conduct emergency drills and training. • Strengthen maintenance and servicing of production equipment. • Develop response procedures for service instability or interruptions and enhance disaster recovery capabilities. • Establish emergency plans for extreme weather, such as ensuring outdoor workers have suitable places to rest during prolonged high temperatures. • Implement energy-saving measures to reduce energy consumption. • Conduct assessments prior to project site selection to prevent development in high-risk areas.
Transition climate risk	• Policy and regulatory risk	• Potential penalties due to regulatory violations. • Damage to reputation, resulting in a loss of competitive advantage.	• Track the latest laws and regulations on climate change and integrate them into internal policies.
	• Market risk	• Rising raw material costs; • Higher requirements from customers on the effectiveness of green design.	• Continuously focus on the market demand for energy saving materials and meet the needs of consumers in a timely manner.
	• Reputation risk	• Corporate reputation will be adversely affected by poor performance in the areas of climate change and sustainability; • Disrupting existing cooperation arrangements or weakening the ability to attract new partners; • Loss of competitive advantage cover competitors with better sustainable performance.	• Actively respond to the national “dual carbon” initiative by engaging with stakeholders, formulating, and disclosing emission reduction targets. • Publicly disclose the company’s greenhouse gas emissions data and efforts in low-carbon operations in the ESG report, actively maintaining the corporate image. • Communicate with stakeholders to explain the sustainable development measures implemented by the Group.

8. SOCIAL WELFARE

During the reporting period, we continued our commitment to social responsibility through the Ai Xiaoya Fund by donating "Xiaoya Packs" to provide rural girls with essential menstrual health education and care. These packs not only include necessary hygiene products but also offer comprehensive educational materials on menstrual health. Through this initiative, we aim to enhance self-protection awareness and promote the overall well-being of rural girls, empowering them to grow up in a healthier environment. Together, we strive to contribute to a brighter future for young girls in rural communities.

Additionally, we continued our annual initiative by launching the Levoit Core 400S Special Edition, incorporating the signature RED design elements. We pledged to donate 3% of each product's sales price to the (RED) Global Fund — an organization founded in 2002 dedicated to eradicating the world's most deadly epidemics, including HIV/AIDS, tuberculosis, and malaria. The minimum guaranteed donation amount is $200,000, aimed at improving healthcare accessibility and ensuring that more people receive essential HIV testing and treatment. Through this initiative, we remain committed to making a meaningful impact in the global fight against AIDS and saving lives.

APPENDIX I: SUMMARY OF SUSTAINABILITY DATA

Environmental Scope[10]	Unit	2024
Types of Emission from Vehicle		
NOx	kg	20.78
SOx	kg	0.03
PM	kg	1.20
GHG emissions		
Direct GHG emissions (Scopes 1)	tonnes of CO_2e	31.12
Indirect GHG emissions (Scopes 2)	tonnes of CO_2e	1,232.08
Total GHG emissions (Scopes 1 and 2)	tonnes of CO_2e	1,263.20
GHG emissions intensity		
GHG emissions per square meter (Scopes 1 and 2)	tonnes of CO_2e/m^2	0.02
GHG emissions per employee (Scopes 1 and 2)	tonnes of CO_2e/employee	0.90
Energy consumption		
Total electricity consumption	kWh	2,406,114.46
Electricity consumption per square meter	kWh/m^2	41.38
Electricity consumption per employee	kWh/employee	1,708.89
Fuel consumption of vehicles	gallon	172.00
Water consumption		
Total water consumption	m^3	41,610.00
Water consumption per square meter	m^3/m^2	1.33
Water consumption per employee	m^3/employee	33.13
Production of hazardous waste		
Total production of hazardous waste	tonnes	0.16
Hazardous waste consumed per employee	tonnes/employee	0.0001
Production of non-hazardous waste		
Total production of non-hazardous waste	tonnes	165.42
Non-hazardous waste consumed per employee	tonnes/employee	0.15
Non-hazardous waste recycled	tonnes	2.00
Paper consumption		
Total paper consumption	kg	1,568.58
Paper consumption per employee	kg/employee	1.25
Packaging materials consumption		
Carton	kg	763,435.91
Plastic packaging	kg	143,815.00
Instructions, pearl cotton, warranty card, sealing sticker, sound-absorbing cotton	kg	43,879.27
Consumption density of packaging materials	kg/million USD revenue	1,457.36

10 Environmental KPIs include: Shenzhen, China, Chongqing, China and US offices, and Dongguan, China factory.

Social Scope	Unit	2024
Total employees	No. of people	1,408
Total employees (by gender)		
Female employees	No. of people	654
Male employees	No. of people	754
Total employees (by type of employees[1])		
Full-time junior employees	No. of people	1,343
Full-time middle management	No. of people	47
Full-time senior management	No. of people	18
Total employees (by age group)		
Aged below 30	No. of people	595
Aged between 30–50	No. of people	770
Aged above 50	No. of people	43
Total employees (by region[2])		
Total employees in China	No. of people	1,253
Total employees in the United States	No. of people	137
Total employees in other region	No. of people	18
Turnover rate[11]		
Total employee turnover rate	%	46.66%
Employee turnover rate (by gender)		
Female employees	%	48.17%
Male employees	%	45.36%
Employee turnover rate (by age group)		
Aged below 30	%	55.63%
Aged between 30–50	%	40.26%
Aged above 50	%	37.21%
Employee turnover rate (by region[2])		
Employee turnover rate in China	%	48.12%
Employee turnover rate in the United States	%	36.50%
Employee turnover rate in Other regions	%	22.22%
Percentage of employees trained[3] (by gender)		
Female employees	%	39.93%
Male employees	%	60.07%

11 Calculation: Number of employees left in the category/total number of employees in the category

Social Scope	Unit	2024
Percentage of employees trained (by type of employees[1])		
Full-time junior employees	%	96.11%
Full-time middle management	%	3.23%
Full-time senior management	%	0.67%
Average training hours (by gender)		
Female employees	Hour	7.91
Male employees	Hour	10.23
Average training hours (by type of employees)		
Full-time junior employees	Hour	8.81
Full-time middle management	Hour	17.09
Full-time senior management	Hour	1.42

APPENDIX II: INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

Indicator			Related Chapter
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7. Environmental Protection and Management
	A1.1	The types of emissions and respective emission data	7.1 Emission Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.1 Emission Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Waste Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Waste Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	7. Environmental Protection and Management 7.1 Emission Management
	A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7. Environmental Protection and Management 7.3 Waste Management

Indicator			Related Chapter
A2: Use of Resource	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	7.2 Resource Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.2 Resource Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Resource Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7. Environmental Protection and Management 7.2 Resource Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7. Environmental Protection and Management 7.2 Resource Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	7.3 Waste Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
A3: The Environment and Natural Resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	7. Environmental Protection and Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7. Environmental Protection and Management
A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.4 Addressing Climate Change
	A4.1	Description of the significant climate related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.4 Addressing Climate Change

Indicator			Related Chapter
B. Social			
B1: Employment	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Employee Management 6.2 Employee Compensation and Benefits 6.3 Fostering Employee Growth
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	6.1 Employee Management APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	B1.2	Employee turnover rate by gender, age group and geographical region.	APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
B2: Health and Safety	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.4 Health and Safety of Employees
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.4 Health and Safety of Employees APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	B2.2	Lost days due to work injury.	APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.4 Health and Safety of Employees
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Fostering Employee Growth
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.3 Fostering Employee Growth APPENDIX I: SUMMARY OF SUSTAINABILITY DATA
	B3.2	The average training hours completed per employee by gender and employee category.	6.3 Fostering Employee Growth APPENDIX I: SUMMARY OF SUSTAINABILITY DATA

Indicator			Related Chapter
B4: Labour Standards	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	6.1 Employee Management
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	6.1 Employee Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Employee Management
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	5. Supply Chain Management
	B5.1	Number of suppliers by geographical region.	5. Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5. Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5. Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5. Supply Chain Management
B6: Product Responsibility	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	3.2 Product Quality and Service
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.2 Product Quality and Service
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.3 Customer First
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.3 Protecting Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	3.2 Product Quality and Service
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.2 Information Security

Indicator			Related Chapter
B7: Anti-corruption	General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.4 Adhering to Business Ethics
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	4.4 Adhering to Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.4 Adhering to Business Ethics
	B7.3	Description of anti-corruption training provided to directors and staff.	4.4 Adhering to Business Ethics
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Social Welfare
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	8. Social Welfare
	B8.2	Resources contributed to the focus area.	8. Social Welfare

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

CULTURE

Since its establishment in the United States in 2011, the Company has established multiple branches across the globe, including but not limited to Shenzhen, Chongqing, Hong Kong, Macau, Germany and Japan, with over 1,400 employees collectively. The Company has been adhering to its mission and business philosophy, "Build a Better Living", since its establishment, and with "customer orientation, pursuit of excellence, focus and persistence, collaborative innovation" as its values, and with "constant innovation, synchronized service of 'software, hardware, and content', providing to families around the world with personalized and intelligent way of healthy life through deep interconnection with users" as its vision, aiming "globalized channel, interaction-enabled products, deep connection, and digitization" as its target for strategic development, the Company has developed rapidly in the growing market of smart appliances for home and create a one-stop smart life platform for users.

THE BOARD

Composition of the Board

The Board currently consists of seven Directors comprising three executive Directors, namely Ms. Yang Lin (chairperson), Mr. Yang Hai and Mr. Chen Zhaojun, one non-executive Director, namely Mr. Yang Yuzheng, and three independent non-executive Directors, namely Mr. Fong Wo, Felix, Mr. Gu Jiong and Mr. Tan Wen.

Responsibilities and Function

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 functions and duties of the Board include, but are not limited to, convening the general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating annual financial budget and final accounts, formulating the Company's proposals for profit distributions, and formulating proposals for increase or reduction of capital as well as exercising other powers, functions and duties as conformed by the Articles.

The Board has assigned the powers and responsibilities of the Group's daily operations, management and administration to the senior management of the Company. The Board regularly reviews the functions and powers delegated to ensure that the assignments are still appropriate. To oversee specific aspects of the Company's affairs, the Board has established three board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has assigned responsibilities to the Board committees in accordance with their respective scopes of powers and functions.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Company had three independent non-executive Directors, 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 more than 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 and independent 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 Articles of Association.

In accordance with Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Tan Wen, Mr. Yang Hai and Mr. Chen Zhaojun shall be retired from office by rotation at the 2025 AGM, and being eligible, offer themselves for re-election.

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

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

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

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.

According to records provided by the Directors, a summary of training received by the Directors during the Reporting Period is as follows:

Name of Director	Attending training session	Reading regulatory materials
Executive Directors		
Ms. Yang Lin	✓	✓
Mr. Yang Hai	✓	✓
Mr. Chen Zhaojun	✓	✓
Non-executive Director		
Mr. Yang Yuzheng	✓	✓
Independent Non-executive Directors		
Mr. Fong Wo, Felix	✓	✓
Mr. Gu Jiong	✓	✓
Mr. Tan Wen	✓	✓

DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Reporting Period.

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 financial position of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

BOARD MEETINGS, BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS

The Board meets regularly and at least four times a year. Notice of at least 14 days in advance for the regular Board meeting is given, and the agenda together with Board papers are sent to the Directors in a timely manner before the intended date of Board meeting. During the Reporting Period, four regular Board meetings were held.

The Chairman and the independent non-executive Directors met in August 2024 without the presence of any other executive Directors and the management.

For other Board and Board committee meetings, reasonable notices were generally given. 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.

Attendance at Meetings

The following table shows the attendance of the Directors at the Board meeting, Board committees meeting and general meetings held during the Reporting Period:

	Number of Meetings Attended/Held				
Name of Directors	**Regular Board Meetings**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual general meeting held on May 30, 2024**
Executive Directors					
Ms. Yang Lin	6/6	—	2/2	1/1	1/1
Mr. Yang Hai	5/6	—	2/2	1/1	1/1
Mr. Chen Zhaojun	5/6	—	—	—	1/1
Non-executive Director					
Mr. Yang Yuzheng	5/6	—	—	—	1/1
Independent non-executive Directors					
Mr. Fong Wo, Felix	6/6	3/3	2/2	1/1	1/1
Mr. Gu Jiong	6/6	3/3	2/2	1/1	1/1
Mr. Tan Wen	6/6	3/3	2/2	1/1	1/1

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee was established by the Company pursuant to a resolution of the Board on December 1, 2020 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management (including environmental, social and governance ("**ESG**") risk management) and internal control systems of the Company. The members of the Audit Committee are Mr. Gu Jiong, Mr. Fong Wo, Felix and Mr. Tan Wen, all of whom are independent non-executive Directors. Mr. Gu Jiong is the chairman of the Audit Committee.

The Audit Committee has discussed with the external auditor of the Company, Ernst & Young, and reviewed the annual and interim financial results and report, major internal audit issues, re-appointment of external auditors, and the effectiveness of the risk management (including ESG 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, 2024 and has recommended the Board to re-appoint Ernst & Young as the auditor of the Company for the year ending December 31, 2025, subject to approval by the Shareholders at the 2025 AGM.

Remuneration Committee

The Remuneration Committee was established by the Company pursuant to a resolution of the Board on December 1, 2020 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure for all Directors and senior management of the Group, make recommendation to the Board on the remuneration packages of individual executive Directors and senior management and make recommendation to the Board on the remuneration of non-executive Directors and to ensure that none of the Directors determine their own remuneration, and review/approve matters relating to the Share Option Scheme and the Post-IPO Share Award Scheme as set out in Chapter 17 of the Listing Rules. The members of the Remuneration Committee are Mr. Fong Wo, Felix, Mr. Gu Jiong, Mr. Tan Wen, Ms. Yang Lin and Mr. Yang Hai. Mr. Fong Wo, Felix is the chairman of the Remuneration Committee.

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, 2024:

Band	**Number of Individuals**
US$700,001 to US$900,000	1
US$900,001 to US$1,100,000	1
US$1,100,001 to US$1,300,000	1
	3

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix D2 to the Listing Rules are set out in notes 8 and 9 to the financial statements.

The Remuneration Committee has reviewed and made recommendations to the Board on the overall remuneration policy and structure for Directors and senior management and reviewed the remuneration of Directors and senior management and other matters for the year ended December 31, 2024. Regular reviews are conducted on Directors' remuneration package with reference to companies with comparable business or scale and appropriate adjustments are proposed. The remuneration of the senior management is determined in respect of their performance to ensure that it is equitable and in accordance with the established guidelines.

Nomination Committee

The Nomination Committee was established by the Company pursuant to a resolution of the Board on December 1, 2020 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board at least annually and make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in senior management. The members of the Nomination Committee are Ms. Yang Lin, Mr. Gu Jiong, Mr. Fong Wo, Felix, Mr. Tan Wen and Mr. Yang Hai. Ms. Yang Lin is the chairperson of the Nomination Committee.

Nomination Policy

The Company has established a nomination policy which sets out the selection criteria and nomination procedures for the appointment of Directors. The selection criteria used as reference by the Nomination Committee in assessing the suitability of a proposed candidate include but not limited to:

(1) character and integrity;

(2) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(3) accomplishment and experience business from time to time conducted, engaged in or invested in by any member of the Group;

(4) commitment in respect of available time and relevant interest;

(5) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(6) the board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(7) such other perspectives appropriate to the Company's business.

The nomination procedure is as follows:

- for filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

- the Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the selection criteria as set out above to determine whether such candidate is qualified for directorship.

- if the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- the Nomination Committee shall then recommend to appoint the appropriate candidate for directorship. The Board shall have the ultimate responsibility for selection and appointment of Directors.

- for any person that is nominated by a Shareholder for election as a director at the general meeting of the Company pursuant to its constitutional documents, the Nomination Committee shall evaluate such candidate based on the selection criteria as set out above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

The Nomination Committee has reviewed the Board Diversity Policy, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors, considered the Director Nomination Policy and made recommendation to the Board on the re-election of the retiring Directors and the appointment of new Director.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the business growth. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In determining the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Chaired by the founder of the Group, Ms. Yang Lin, the Board has achieved gender diversity since Listing. Among the workforce, the gender ratio (including senior management) is 754 male employees to 654 female employees.

The followings are the measureable objectives set up by the Company for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant:

- The Nomination Committee will discuss and agree annually any applicable measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

- Selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Board Independence Mechanism

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by Audit Committee as delegated by the Board, to ensure their effectiveness:

1. Three out of the seven Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.

2. The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director and the contribution to the diversity of the Board according to the board diversity policy adopted by the Company from time to time before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. External independent professional advice is available as and when required by individual Directors.

4. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.

5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

6. A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

7. The chairperson of the Board meets with independent non-executive Directors annually without the presence of the executive Director and non-executive Directors.

CORPORATE GOVERNANCE FUNCTION

The Audit Committee is responsible for performing the duties on corporate governance functions set out below:

- to develop and review the Company's policies and practices on corporate governance;
- 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 develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Audit Committee has reviewed the Company's corporate governance policies and practices, Directors' and senior management's training and continuing professional development, the Company's policies and practices in complying with legal and regulatory requirements, compliance with the Model Code, and the Company's compliance with the Code and its disclosure in the corporate governance report.

COMPANY SECRETARY

Ms. Zhang Xiao was appointed as the company secretary of the Company on May 27, 2020.

Ms. Zhang is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over ten years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in 2019.

Ms. Zhang obtained a Bachelor's Degree in Computer Science from The Chinese University of Hong Kong in 2010, a Master's Degree in Corporate Governance from Hong Kong Metropolitan University in 2018 and a Master's degree in Accountancy from Hong Kong Baptist University in 2024.

Mr. Chen Zhaojun, the executive Director and chief financial officer of the Company, is the primary contact of Ms. Zhang at the Company. All Directors have access to the advice and services of Ms. Zhang to ensure that board procedures, and all applicable law, rules and regulations, are followed. During the Reporting Period, Ms. Zhang has taken more than 15 hours of relevant professional training according to Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

The remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group for the Reporting Period are set out as below.

Type of services	**Fees paid/ payable** US$'000
Audit services	527
Non-audit services*	47
Total	574

* Transfer pricing documentation service

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Company. The Board is committed to implementing an effective and sound risk management and internal control system to safeguard the interest of the Shareholders and the assets of the Company.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems 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 delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board has conducted a review of the effectiveness the systems of risk management and internal control for the Reporting Period. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the Reporting Period were effective and adequate.

Main features of the risk management and internal control systems

(i) The Company has established the “Basic Measures for Vesync Comprehensive Risk Management” and “Vesync Internal Audit System”. In accordance with these policies, the Company has developed a risk management system for the entire Vesync Group, consisting of a comprehensive risk management and internal control structure for the Group’s internal controls, compliance, risk management (including ESG risk management) and internal audit.

(ii) The Company has adopted the “Three Lines of Defence (IIA)” model of internal controls to establish a comprehensive risk management and internal control system. The first line of defence consists mainly of our business and functional departments, which are responsible for the day-to-day operations and management, and for designing and implementing relevant controls to mitigate risks. The Company has an independent and dedicated group risk control audit department, which is divided into an internal control department (風控內控部) and an internal audit department (審計監察部) to bear the risks and responsibilities by the second and third lines of defence, respectively.

(iii) In 2024, the Company conducted a comprehensive annual risk assessment of the Group and issued the Risk Management and Internal Control Tracking Report for the first half of 2024 and the year ended December 31, 2024 Risk Management and Internal Control Assessment Report of the Vesync Group, covering the identification of material risks that may affect the Group’s performance; the assessment and evaluation of such risks based on its possible impact and likelihood of its occurrence, as well as the development and implementation of measures, controls and contingency plans to manage and mitigate such risks, the purpose of which are to ensure that effective countermeasures are already in place for significant risks, and that the risks are controlled to an extent appropriate and affordable to the Company’s business objectives.

(iv) All department heads are aware of their primary responsibility for risk management and, with the assistance of the Group risk control audit department, have implemented appropriate and effective countermeasures to manage and mitigate material and fundamental risks.

(v) The management of the Group ensures that appropriate countermeasures are in place to address the significant risks affecting the business and operations of the Group.

The process used to identify, evaluate and manage significant risks

The Company has established a risk management system consisting of relevant policies and procedures that the Company believes are appropriate for our business operations. Pursuant to the Company's risk management policy, the key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and risk tolerance level; and (v) execution of risk response measures.

Internal audit function

During the Reporting Period, the Group risk control audit department has carried out an overview on the adequacy and effectiveness of the risk management and internal control systems of the Group. Based on the "Basic Measures for Vesync Comprehensive Risk Management" and "Vesync Internal Audit System". The Group risk control audit department continuously review and monitor the adequacy and effectiveness of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The senior executives of the internal audit function attended the Audit Committee meeting to explain the results of the internal audit and responded to the questions of the members of the Audit Committee. The Company considers its risk management and internal control systems effective and adequate.

Handling and dissemination of inside information

The Group regulates the handling and dissemination of inside information according to the inside information policy of the Company and the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

SHAREHOLDERS' RIGHTS

The Company encourages the Shareholders to attend the general meetings of the Company.

The Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM") and for Putting Forward Proposals at General Meeting

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the Shareholder(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

The above written requisition shall be addressed to the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

There are no provisions in the Articles of Association or the Cayman Islands Companies Act for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the above procedures for Shareholders to convene an extraordinary general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Should any questions as to the Company arise, Shareholders and investors may contact the Company. The contact details of the Company are as follows:

Vesync Co., Ltd
Address: 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Email: ir@vesync.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

Amendments to Constitutional Documents

The Company has adopted the second amended and restated memorandum of association and third amended and restated articles of association of the Company by way of a special resolution passed on May 30, 2024 and effective on the same date, in order to, in line with the latest legal and regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from December 31, 2023. For details, please refer to the announcement dated March 25, 2024 and the circular dated April 23, 2024 of the Company.

Shareholders' Communication Policy

The Company has adopted a shareholders' communications policy which aims to set out the provisions with the objective of ensuring the Shareholders are provided with equal and timely access to information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company.

The Board will maintain an on-going dialogue with the Shareholders and will review the policy regularly to ensure its effectiveness. Information will be communicated to the Shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures submitted to the Stock Exchange. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

As disclosed in the section headed "Procedures for Directing Shareholders' Enquiries to the Board" in this annual report, designated contacts, email addresses and enquiry telephone number of the Company are provided to Shareholders in order to enable them to make any query in respect of the Company.

Having considered the various existing channels of communication and the feedbacks from the Shareholders, investors and analysts, the Board considers that the Shareholders' communication policy has been properly implemented and effective during the Reporting Period.

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To the shareholders of Vesync Co., Ltd
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Vesync Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 121 to 216, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Variable consideration for promotion rebates The Group primarily sells its products to customers through retailers such as Amazon and sells a relatively small portion of its products to consumers through online platforms. The Group recognises revenue from the sale of a product at the point in time when control of the asset is transferred to the customer, generally on the receipt of product or on delivery of the product according to the delivery term. The Group provides promotion rebates to certain retailers. These arrangements result in deductions to gross revenue and give rise to variable considerations. The Group uses the expected value method to estimate the amount of promotion rebates to which retailers are entitled, and such estimation requires management's significant judgement and estimation in determining an appropriate expected promotion rebate percentage based on the Group's marketing strategy, promotion plans, historical promotion rebates and actual subsequent promotion activities of each type of products. The Group's disclosures about estimating variable consideration for promotion rebates are included in notes 2.4 and 3 to the financial statements.	Our audit procedures included, but not limited to, the following: — reviewing the key terms of major contracts with customers to test the terms and conditions related to promotion rebates; — evaluating management's estimates on the expected promotion rebates by comparing the Group's promotion plans, historical promotion rebates and actual subsequent promotion activities; and — reviewing the calculation of the expected promotion rebates and the deduction from revenue and recognition of refund liabilities.

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories As at 31 December 2024, the net carrying value of inventories amounted to US$72,603,000, netting off a provision for impairment of US$5,294,000, representing 11% of the Group's total assets. The Group's inventories are stated at the lower of cost and net realisable value which requires management's significant estimation of the net realisable value of the inventories based on the historical experience, current market condition, subsequent market trend, expected selling prices, estimated costs to sell and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items based on ageing, product lifecycle, customer demands, future market trend and marketing strategies. The Group's disclosures about impairment of inventories are included in notes 2.4 and 3 to the financial statements.	Our audit procedures included but not limited to the following: — evaluating the Group's inventory provision policy by discussing with management to obtain an understanding of the assumptions applied in estimating inventory provisions; — reviewing historical inventory consumption information and testing on a sampling basis, the ageing of inventory by checking the purchase dates recorded in the inventory ageing report against suppliers' invoices; — checking movements of those inventories and inquiring management's overview of potential market trend and the Group's product marketing strategy to assess the condition and indicators of slow-moving and obsolete inventories and evaluating the provision for slow-moving and obsolete inventories; and — assessing the expected selling prices of different products with reference to the most recent retail prices and estimated costs to sell by reviewing the costs incurred historically.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Other information consists of the information included in the Company's 2024 Annual Report other than the financial statements and our auditor's report thereon. We obtained the Management Discussion and Analysis, the Report of Directors, the Corporate Governance Report, and the Environmental, Social and Governance (ESG) Report of the Annual Report, prior to the date of our auditor's report, and we expect to obtain the Chairperson's Statement of the Annual Report after the date of our auditor's report. Management is responsible for the other information.

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 and will 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 on the other information obtained prior to the date of the auditor's report, 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 HKFRSs issued by the HKICPA 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
17 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024 US$'000**	2023 US$'000
REVENUE	5	**652,640**	585,484
Cost of sales		**(346,062)**	(311,112)
Gross profit		**306,578**	274,372
Other income and gains	5	**8,967**	10,257
Selling and distribution expenses		**(104,234)**	(99,217)
Administrative expenses		**(92,105)**	(83,089)
Impairment losses on financial assets, net		**(613)**	(382)
Other expenses		**(3,326)**	(12,833)
Finance costs	7	**(3,428)**	(1,532)
Share of profits and losses of:			
a joint venture		**—**	(80)
associates		**(354)**	(24)
PROFIT BEFORE TAX	6	**111,485**	87,472
Income tax expense	10	**(18,437)**	(10,042)
PROFIT FOR THE YEAR		**93,048**	77,430
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Trade receivables measured at fair value through other comprehensive income:			
Changes in fair value		**(554)**	—
Income tax effect		**132**	—
Share of other comprehensive loss of a joint venture		**—**	(21)
Share of other comprehensive loss of associates		**(285)**	—
Exchange differences on translation of foreign operations		**(4,072)**	(487)
Reclassification adjustments for a foreign operation disposed of during the year		**—**	(2)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(4,779)**	(510)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(1,379)**	251
Income tax effect		**208**	(38)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(1,171)**	213
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5,950)**	(297)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 US$'000	2023 US$'000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,098**	77,133
Profit/(loss) attributable to:			
Owners of the parent		**93,048**	77,481
Non-controlling interests		**—**	(51)
		93,048	77,430
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**87,098**	77,184
Non-controlling interests		**—**	(51)
		87,098	77,133
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	12	**US8.64 cents**	US6.92 cents
Diluted	12	**US8.60 cents**	US6.92 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 US$'000	31 December 2023 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,954**	4,475
Right-of-use assets	14(a)	**10,522**	7,453
Other intangible assets	15	**218**	17
Investment in a joint venture	16	**—**	10,851
Investments in associates	17	**10,266**	60
Equity investments designated at fair value through other comprehensive income	18	**363**	1,778
Financial assets at fair value through profit or loss	19	**2,300**	—
Prepayments, other receivables and other assets	22	**1,028**	1,023
Pledged deposits	24	**11,151**	4,833
Time deposits	24	**43,557**	5,735
Deferred tax assets	29	**13,173**	23,022
Total non-current assets		**99,532**	59,247
CURRENT ASSETS			
Inventories	20	**72,603**	79,848
Trade and notes receivables	21	**183,377**	192,082
Prepayments, other receivables and other assets	22	**34,108**	18,420
Tax recoverable		**2,198**	321
Derivative financial assets	23	**1,245**	128
Pledged deposits	24	**39,922**	78,028
Time deposits	24	**39,455**	32,752
Cash and cash equivalents	24	**177,360**	104,308
Total current assets		**550,268**	505,887
CURRENT LIABILITIES			
Trade and notes payables	25	**119,473**	113,112
Other payables and accruals	26	**107,066**	59,558
Interest-bearing bank and other borrowings	27	**20,759**	29,584
Provision	28	**9,406**	16,604
Lease liabilities	14(b)	**4,717**	3,532
Tax payable		**6,833**	5,644
Derivative financial liabilities	23	**1,314**	214
Total current liabilities		**269,568**	228,248
NET CURRENT ASSETS		**280,700**	277,639
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,232**	336,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 US$'000	31 December 2023 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,232**	336,886
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**—**	219
Lease liabilities	14(b)	**6,961**	4,984
Provision	28	**3,955**	4,167
Total non-current liabilities		**10,916**	9,370
Net assets		**369,316**	327,516
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**1,470**	1,500
Treasury shares		**—**	(7,856)
Share premium		**129,115**	172,273
Reserves	32	**238,731**	161,599
Total equity		**369,316**	327,516

Yang Lin
Director

Chen Zhaojun
Director

Attributable to owners of the parent

	Share capital US$'000 (note 30)	Share premium US$'000 (note 30)	Treasury shares US$'000	Shares held for share award scheme* US$'000	Other reserve* US$'000	Share award and option reserve* US$'000 (note 31)	Statutory surplus reserve* US$'000 (note 32)	Fair value reserve of financial assets at fair value through other comprehensive income* US$'000	Exchange fluctuation reserve* US$'000 (note 32)	Retained profits* US$'000	Total equity US$'000
At 1 January 2024	1,500	172,273	(7,856)	(78)	(2,102)	8,997	2,844	—	(1,854)	153,792	327,516
Profit for the period	—	—	—	—	—	—	—	—	—	93,048	93,048
Other comprehensive loss for the year:											
Change in fair value of an equity investment at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(1,171)	—	—	(1,171)
Change in fair value of trade receivables measured at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(422)	—	—	(422)
Share of equity interests from associates	—	—	—	—	42	—	—	—	(327)	—	(285)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(4,072)	—	(4,072)
Total comprehensive income for the year	—	—	—	—	42	—	—	(1,593)	(4,399)	93,048	87,098
Transfer to statutory reserve	—	—	—	—	—	—	101	—	—	(101)	—
Shares repurchased	—	—	(6,933)	—	—	—	—	—	—	—	(6,933)
Cancellation of treasury shares	(30)	(14,759)	14,789	—	—	—	—	—	—	—	—
Shares purchased	—	(6,819)	—	(13)	—	—	—	—	—	—	(6,832)
Dividend declared	—	(21,576)	—	—	—	—	—	—	—	(12,235)	(33,811)
Equity-settled share award and option arrangement	—	—	—	—	—	2,278	—	—	—	—	2,278
Equity-settled share awards vested	—	(4)	—	4	—	—	—	—	—	—	—
At 31 December 2024	1,470	129,115	—	(87)	(2,060)	11,275	2,945	(1,593)	(6,253)	234,504	369,316

Attributable to owners of the parent

	Share capital US$'000 (note 30)	Share premium US$'000 (note 30)	Treasury shares US$'000	Shares held for share award scheme* US$'000	Other reserve* US$'000	Share award and option reserve* US$'000 (note 31)	Statutory surplus reserve* US$'000 (note 32)	Exchange fluctuation reserve* US$'000 (note 32)	Retained profits* US$'000	Total US$'000	Non-controlling interest US$'000	Total Equity US$'000
At 1 January 2023	1,500	186,955	—	(43)	(2,102)	5,590	2,844	(1,557)	84,311	277,498	(41)	277,457
Profit for the year	—	—	—	—	—	—	—	—	77,481	77,481	(51)	77,430
Other comprehensive loss for the year:												
Share of an equity interest from a joint venture	—	—	—	—	—	—	—	(21)	—	(21)	—	(21)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	213	—	213	—	213
Reclassification adjustments for a foreign operation disposed of during the year	—	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(487)	—	(487)	—	(487)
Total comprehensive income for the year	—	—	—	—	—	—	—	(297)	77,481	77,184	(51)	77,133
Shares repurchased	—	—	(7,856)	—	—	—	—	—	—	(7,856)	—	(7,856)
Shares purchased	—	(14,679)	—	(38)	—	—	—	—	—	(14,717)	—	(14,717)
Equity-settled share award and option arrangement	—	—	—	—	—	3,407	—	—	—	3,407	—	3,407
Equity-settled share awards vested	—	(3)	—	3	—	—	—	—	—	—	—	—
Interim 2023 dividend	—	—	—	—	—	—	—	—	(8,000)	(8,000)	—	(8,000)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	92	92
At 31 December 2023	1,500	172,273	(7,856)	(78)	(2,102)	8,997	2,844	(1,854)	153,792	327,516	—	327,516

* These reserve accounts comprise the consolidated reserves of US$238,731,000 (2023: US$161,599,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 US$'000	2023 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**111,485**	87,472
Adjustments for:			
Finance costs	7	**1,315**	1,532
Interest income		**(7,227)**	(3,771)
Impairment of trade and other receivables, net	21	**613**	382
Impairment of an investment of an associate		**6**	916
Impairment of property, plant and equipment		**70**	—
(Reversal of write-down)/write-down of inventories to net realisable value	6	**(3,046)**	412
Depreciation of property, plant and equipment	13	**2,812**	2,609
Depreciation of right-of-use assets	14(a)	**4,730**	4,198
Amortisation of other intangible assets	15	**33**	218
Loss on disposal of a subsidiary		**—**	92
Loss on disposal of items of property, plant and equipment, net		**6**	195
Gain on early termination of leases, net		**(110)**	(57)
Equity-settled share award and option expense		**2,278**	3,407
Loss on disposal of derivative instruments		**1,260**	6,511
Share of profits and losses of associates		**354**	24
Share of profits and losses of a joint venture		**—**	80
Fair value losses, net:			
— Derivative instruments — transactions not qualifying as hedges		**49**	86
— Investments measured at fair value through profit and loss		**1,055**	—
Fair value change of trade receivables measured at fair value through other comprehensive income		**(554)**	—
Foreign exchange differences, net		**(1,885)**	1,730
		113,244	106,036
Decrease/(increase) in trade and note receivables		**8,263**	(43,247)
(Increase)/decrease in prepayments, other receivables and other assets		**(13,467)**	8,417
Decrease in inventories		**10,408**	34,387
Decrease in right-of-return assets		**—**	3,216
Increase in trade and notes payables		**6,361**	52,361
Decrease in provision		**(7,198)**	(31,775)
Increase in other payables and accruals		**25,027**	15,525
Decrease/(increase) in pledged deposits		**11,136**	(33,612)
Cash generated from operations		**153,774**	111,308
Income tax paid		**(8,936)**	(5,208)
Net cash flows from operating activities		**144,838**	106,100

	Notes	2024 US$'000	2023 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(8,554)**	(2,409)
Purchases of other intangible assets		**(234)**	(31)
Disposal of a subsidiary		**—**	(18)
Disposal of items of property, plant and equipment		**15**	—
Purchases of financial assets at fair value through profit or loss		**(72,037)**	—
Disposal of financial assets at fair value through profit or loss		**68,682**	—
Loans to employees		**—**	(1,023)
Loan to a third party		**—**	(690)
Repayment of a loan to a third party		**690**	—
Dividend received from a joint venture		**—**	263
Payments on disposal of derivative financial instruments		**(2,501)**	(7,740)
(Increase)/decrease in restricted cash		**(1,044)**	657
Placement of time deposits with original maturity of over three months		**(72,870)**	(38,400)
Withdrawal of time deposits with original maturity of over three months		**29,672**	—
Placement of pledged time deposits		**(24,646)**	(31,938)
Withdrawal of pledged time deposits		**41,334**	2,871
Interest received		**5,911**	3,230
Net cash flows used in investing activities		**(35,582)**	(75,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(13,765)**	(22,573)
New bank loans		**33,650**	42,581
Repayment of bank borrowings		**(42,329)**	(22,433)
Placement of deposits pledged for bank loans		**(3,198)**	(1,412)
Withdraw of deposits pledged for bank loans		**1,412**	704
Placement of time deposits pledged for bank loans		**—**	(6,461)
Withdraw of time deposits pledged for bank loans		**6,461**	—
Dividend paid to shareholders		**(10,520)**	(2,930)
Principal portion of lease payments		**(4,511)**	(4,291)
Interest paid		**(1,521)**	(988)
Net cash flows used in financing activities		**(34,321)**	(17,803)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**74,935**	13,069
Cash and cash equivalents at beginning of year		**104,308**	93,601
Effect of foreign exchange rate changes, net		**(1,883)**	(2,362)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**177,360**	104,308
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**116,155**	145,367
Non-pledged time deposits with original maturity of less than three months when acquired		**98,503**	—
Pledged deposits		**(37,298)**	(41,059)
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows	24	**177,360**	104,308

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries were principally engaged in research and development, manufacture and sale of smart household appliances and smart home devices. The Company's products are mainly manufactured in the People's Republic of China (the "PRC") and sold to customers mainly in the United States ("USA"), Canada, the United Kingdom, France, Germany, Spain, Italy and Japan. In the opinion of the directors of the Company, the ultimate controlling shareholders of the Group are Ms. Yang Lin, Mr. Yang Yuzheng and Mr. Yang Hai.

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Vitasync Co., Ltd ("Vitasync BVI")	British Virgin Islands ("BVI") 27 February 2019	—	100%	—	Investment holding
Arcsync Co., Ltd ("Arcsync BVI")	BVI 27 February 2019	—	100%	—	Investment holding
Avidsync Co., Ltd ("Avidsync BVI")	BVI 26 April 2021	—	100%	—	Investment holding
L&H Y Trading Inc. ("L&H Y US")	USA/California 16 May 2016	US$50	—	100%	Investment holding
Vesync Corporation ("Vesync US")	USA/California 1 April 2015	US$10	—	100%	Sale of products
Vesync (Singapore) PTE. LTD ("Vesync SG")	Singapore 10 June 2021	SG$2,000,000	—	100%	Procurement and sales of products
Etekcity Company Limited ("Etekcity Macau")	PRC/Macau 21 February 2019	MOP25,000	—	100%	Procurement and sales of products
Ecomine Co., Ltd ("Ecomine HK")	PRC/Hong Kong 25 March 2019	HK$13,300,000	—	100%	Investment holding and sale of products

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen City Chenbei Management and Consulting Company Limited* ("WFOE") (note (a))	PRC/ Mainland China 26 April 2019	RMB30,000,000	—	100%	Investment holding
Vitasync Investment (HK) Co., Limited ("Vitasync HK")	PRC/Hong Kong 2 February 2024	US$2,500,000	—	100%	Investment holding
Etekcity Corporation ("Etekcity US")	USA/California 5 December 2011	US$50	—	100%	Sale of products
Arovast Corporation ("Arovast US")	USA/California 20 October 2016	US$10	—	100%	Sale of products
Shenzhen City Chenbei Technology Company Limited* ("Shenzhen Chenbei") (note (b))	PRC/ Mainland China 27 February 2013	RMB28,500,000	—	100%	Research, development and sale of products
Dongguan City Zhilun Technology Company Limited* ("Dongguan Zhilun") (note (b))	PRC/ Mainland China 14 February 2017	RMB5,000,000	—	100%	Manufacture and sale of products
Chongqing Xiaodao Information Technology Company Limited* ("Chongqing Xiaodao") (note (b))	PRC/ Mainland China 8 April 2015	RMB1,000,000	—	100%	Provision of support services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Etekcity Corporation ("Etekcity Japan") (note (c))	Japan 28 January 2019	JPY5,000,000	—	100%	Sale of products
Etekcity GmbH ("Etekcity Germany")	Germany 16 November 2017	EUR150,000	—	100%	Sale of products
Vesync (UK) Limited ("Vesync UK")	Great Britain 11 March 2021	GBP200	—	100%	Sale of products
Techvast Corporation ("Techvast US")	USA/California 17 November 2022	US$500	—	100%	Customs clearance and declaration

Notes:

(a) This entity is a wholly-foreign-owned company established under PRC law.

(b) These entities are limited liability enterprises established under PRC law.

(c) This entity was officially renamed as Vesync Japan Corporation in February 2025.

* The English names of these entities registered in the PRC represent the best efforts made by management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets at fair value through profit or loss, trade receivables measured at fair value through other comprehensive income and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 31 December 2024. 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, 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. 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.

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 derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised 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. ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS7	*Supplier Finance Arrangements*

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards — Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards — Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies

Investments in associates and joint ventures

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 has 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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 case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises 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 recognised in profit or loss.

Fair value measurement

The Group measures its derivative financial instruments, financial assets at fair value through profit or loss, trade receivables measured at fair value through other comprehensive income and equity investments at fair value 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Fair value measurement (Continued)

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (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 and deferred tax assets), 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 (e.g., a headquarters building) 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 recognised 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised 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;

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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment 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 capitalised 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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:

Leasehold improvements	20% to 33%
Machinery and equipment	9.5% to 33%
Office equipment	14% to 33%
Electronic equipment	20% to 33%

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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks and software

Trademarks and software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives as follows.

Trademarks	10 years
Software	1 to 10 years

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 recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful life of the assets as follows:

Offices and warehouses	1 to 6.5 years
Machinery and equipment	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 recognised 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 recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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 the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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 office premises and staff dormitory (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 that is considered to be of low value.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised 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 HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised 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 amortised 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. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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 equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 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 recognised as other income in profit or loss when the right of payment has been established, 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. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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

For trade receivables measured at fair value through other comprehensive income, impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material 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 recognised 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 the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

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 profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

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 derecognised (i.e., removed from the Group's consolidated 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. ACCOUNTING POLICIES (Continued)

2.4 Material 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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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 assets 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 recognises 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 recognised 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.

For trade receivables measured at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the receivables financing are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the accepting bank of receivables financing. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of receivables financing since origination, the allowance will be based on the lifetime ECL.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 120 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.

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

Trade receivables measured at fair value through other comprehensive income and financial assets at amortised 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 and contract assets 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 recognises 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised 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 other payables, amounts due to directors and a related party, interest-bearing bank and other borrowings and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised 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 recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled, 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as options for foreign currency and forward currency contracts to hedge foreign currency risk. Such derivative financial instruments are initially recognised 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.

Any gains or losses arising from changes in fair value of derivatives are taken directly to 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).

- 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Treasury shares

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into know amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised 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.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised 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 profit or loss.

The Group provides for warranties in relation to the sale of certain products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of replacements, discounted to their present values as appropriate. The warranty-related cost is revised annually.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Provisions (Continued)

The Group has present obligations which constitute onerous contracts by providing customers and consumers free replacements to address a risk of thermal events in an extremely rare rate and limited circumstances and customer satisfaction. The present obligation under the contract is recognised and measured as a provision.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 recognised for all taxable temporary differences, except:

- when the deferred tax liability 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 dose not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, 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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised 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 utilised.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised 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 realise 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 recognised 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 recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised 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.

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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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 recognised 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 HKFRS 15.

Sale of products

The Group primarily sells its products to customers through Amazon's two programs, namely Seller Central and Vendor Central, and sells a small portion of its products through other channels such as chain retailers, other e-commerce marketplaces and its own online shopping sites. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue from the sale of product is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery or the receipt of product by the customer.

Some contracts for the sale of goods provide customers with rights of return or promotion rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 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 recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Revenue recognition (Continued)

Sale of products (Continued)

(ii) Promotion rebates

For the Vendor Central programme, the Group can provide the retailer promotion rebates to encourage the retailer to do promotion for the Group's products. The Group provides the type of promotion, the desired start and end dates of the promotion, the products subject to the promotion, and the funding amount. The retailer may at any time and in their discretion reject any promotion. Promotion rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the expected value method is used for contracts with more than one product orders. The selected method that best predicts the amount of variable consideration is primarily driven by the promotion plan and historical promotion rebates. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future promotion rebates is recognised.

Other income

Interest income is recognised 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.

Contract liabilities

A contract liability is recognised 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 recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Refund liabilities

A refund liability is recognised 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

The Group operates share award and option schemes. 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 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 a discounted cash flow model or binomial model or the stock closing price at the grant date, further details of which are given in note 31 to the financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised 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 recognised for equity-settled transactions at the end of each of the year 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 recognised 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 recognised. Where awards include a market 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 and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised 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. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised 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 cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled 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 options and awards is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China and the United States are required to participate in a central pension scheme operated by the local government. The subsidiaries operating in Mainland China and the United States are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

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 capitalised as a part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. 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.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised 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 recognised immediately as a liability when they are proposed and declared.

Foreign currency

The financial statements are presented in the 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 each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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 recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Foreign currency (Continued)

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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 JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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.

Judgements

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

Determining the method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of products include a right of return and promotion 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Determining the method to estimate variable consideration and assessing the constraint (Continued)

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of products with rights of return and promotion rebates, given the large number of customer contracts that have similar characteristics. The selected method that better predicts the amount of variable consideration related to promotion rebates is primarily driven by promotion plan for more than one product orders.

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.

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.

Estimating variable consideration for promotion rebate

The Group estimates expected promotion rebates based on their promotion plans for each type of products monthly. Any significant changes in promotion plans as compared to actual subsequent promotion activities will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected promotion rebates quarterly and the refund liabilities are adjusted accordingly. As at 31 December 2024, the amount recognised as refund liabilities was US$13,977,000 (2023: US$12,342,000) for the expected promotion rebates.

Provisions for obligations arising from recall

The Group submitted reports to relevant institutions to recall certain models of air fryers and replace the sold units with new models and substitute products to address a risk of thermal events under extremely rate and limited circumstances and to fulfil customer satisfaction before the year end of 2022. Since the commitment to settle the obligation arising from recall by free replacement constitutes onerous contract, the present obligation is recognised and measured as a provision.

The provisions recognised by the Group are the best estimate of the Group's liabilities arising from their recall plan based on the estimated future expenditure of new air friers and substitute products, transportation fees, rework fees and other management and supervision costs after considering the predicted customer recall response rate using a statical method. The amount of the obligation arising from the recall is mainly determined by customer overall response rate, incremental cost to fulfilling the replacement and other management and supervision costs directly relating to the recall. The predicted customer recall response rate is determined by an external specialist and the Group's management and is based on historic recall samples, foreseeable changes in the major recall drivers and correctively adjustments by comparing actual responses. As at 31 December 2024, a provision of US$8,674,000 (2023: US$15,754,000) was made for obligations arising from a voluntary recall.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables from customers other than the largest retailer. The provision rates are based on days past due of these customers. For the largest retailer, the provision rate is based on the Moody's credit rating. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each of the reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Impairment of inventories

The Group manufactures and sells goods which is subject to changing consumer demands and market trends Management has estimated the allowance for obsolete and slow-moving inventories based on review of an ageing analysis of inventories at the end of the reporting period. The assessment of the provision requires management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. At 31 December 2024, the Group's impairment of inventories amounted to US$5,294,000 (2023: US$8,457,000).

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers:

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

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

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

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

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

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

(ii) Performance obligations

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

Sale of products

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

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

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(iii) Refund liabilities

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

An analysis of other income and gains is as follows:

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

* The government grants mainly represent incentives and subsidies from local governments to support the Group's operation. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2024 US$'000	2023 US$'000
Cost of inventories sold		**285,144**	259,433
Research and development costs*		**39,943**	34,161
Depreciation of property, plant and equipment	13	**2,812**	2,609
Amortisation of other intangible assets	15	**33**	218
Depreciation of right-of-use assets	14(a)	**4,730**	4,198
Auditor's remuneration		**574**	598
Lease payments not included in the measurement of lease liabilities	14(c)	**247**	232
Loss on disposal of items of property, plant and equipment		**6**	195
Interest income		**(7,227)**	(3,771)
Loss on disposal of derivative instruments		**1,260**	6,511
Fair value losses, net:			
— Derivative instruments — transactions not qualifying as hedges		**49**	86
— Investments measured at fair value through profit and loss		**1,055**	—
Foreign exchange differences, net		**3,284**	(3,494)
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**67,683**	61,895
Pension scheme contributions		**5,475**	4,629
Staff welfare expenses		**9,199**	7,552
Equity-settled share award expense		**1,607**	2,783
Total		**83,964**	76,859
Impairment of trade and other receivables, net	21	**613**	382
(Reversal of write-down)/write-down of inventories to net realisable value, net**	20	**(3,046)**	412
Product warranty provision			
— Additional provision	28	**759**	571
Provisions arising from voluntary recall			
— Additional provision	28	**—**	7,165
— Reversal of unutilised provision	28	**(3,880)**	—

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

** The net write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (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:

	Group	
	2024 US$'000	2023 US$'000
Fee	110	109
Other emoluments:		
Salaries, allowances and benefits in kind	1,349	990
Performance related bonus	919	200
Pension scheme contributions	20	19
Equity-settled share option and share award expense	671	624
Subtotal	2,959	1,833
Total	3,069	1,942

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company. During the year, one director was granted share award, in respect of the director's services to the Group, under the post-IPO share award scheme of the Company. Further details of share option scheme and post-IPO share award scheme are set out in note 31 to the financial statements. The fair value of such options and share awards, which has been recognised 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.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to or receivable by independent non-executive directors during the year were as follows:

	2024 US$'000	2023 US$'000
Mr. Fong Wo, Felix	39	38
Mr. Gu Jiong	39	38
Mr. Tan Wen	32	33
Total	110	109

The share option expenses for independent non-executive directors during the year were as follows:

	2024 US$'000	2023 US$'000
Mr. Fong Wo, Felix	17	24
Mr. Gu Jiong	17	24
Mr. Tan Wen	17	24
Total	51	72

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, a non-executive director and the chief executive

2024

	Salaries allowances and benefits in kind US$'000	Performance related bonuses US$'000	Pension scheme contributions US$'000	Equity-settled share option and share award expenses US$'000	Total US$'000
Executive directors					
Ms. Yang Lin	**565**	**590**	**6**	**100**	**1,261**
Mr. Yang Hai	**434**	**160**	**7**	**100**	**701**
Mr. Chen Zhaojun	**332**	**169**	**7**	**402**	**910**
Subtotal	**1,331**	**919**	**20**	**602**	**2,872**
Non-executive director:					
Mr. Yang Yuzheng	**18**	**—**	**—**	**18**	**36**
Total	**1,349**	**919**	**20**	**620**	**2,908**

2023

	Salaries allowances and benefits in kind US$'000	Performance related bonuses US$'000	Pension scheme contributions US$'000	Equity-settled share option expense US$'000	Total US$'000
Executive directors					
Ms. Yang Lin	354	20	6	141	521
Mr. Yang Hai	334	120	6	141	601
Mr. Chen Zhaojun	282	60	7	246	595
Subtotal	970	200	19	528	1,717
Non-executive director:					
Mr. Yang Yuzheng	20	—	—	24	44
Total	990	200	19	552	1,761

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, a non-executive director and the chief executive (Continued)

Ms. Yang Lin is also the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the reporting year. No remuneration was paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for the loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2023: one director), details of whose remuneration are set out note 8 above. Details of the remuneration for the year of the remaining two (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 **US$'000**	2023 US$'000
Salaries, allowances and benefits in kind	**905**	1,089
Performance related bonuses	**149**	277
Pension scheme contributions	**17**	13
Equity-settled share award expense	**204**	1,851
Total	**1,275**	3,230

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	
	2024	2023
HK$3,500,001 to HK$4,000,000	**1**	—
HK$5,000,001 to HK$5,500,000	**—**	2
HK$5,500,001 to HK$6,000,000	**1**	—
HK$6,500,001 to HK$7,000,000	**—**	1
HK$8,000,001 to HK$8,500,000	**—**	1
Total	**2**	4

During the year and in prior years, share awards were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such awards, which has been recognised 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.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Cayman Islands and the British Virgin Islands (“BVI”)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

Mainland China

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

Singapore

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

United States

Pursuant to the relevant tax laws of the United States, taxable income arising in the United States is subject to a federal corporate income tax rate of 21% (2023: 21%) and state income tax rates ranging from 0.75% to 9.80% (2023: 0.75% to 9.00%).

Germany and the United Kingdom

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

10. INCOME TAX (Continued)

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

	2024 US$'000	2023 US$'000
Current tax:		
— United States	**1,791**	1,766
Charge for the year	**2,101**	1,633
(Overprovision)/underprovision in prior years	**(310)**	133
— Singapore	**5,314**	224
Charge for the year	**5,364**	224
Overprovision in prior years	**(50)**	—
— Elsewhere	**1,242**	2,992
Charge for the year	**1,085**	3,295
Underprovision/(overprovision) in prior years	**157**	(303)
Deferred tax (note 29)	**10,090**	5,060
Total tax charge for the year	**18,437**	10,042

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates is as follows:

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

11. DIVIDENDS

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

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

Pursuant to the resolution passed at the annual general meeting held on 30 May 2024, the Company declared a final dividend of HK15.69 cents (equivalent to US2.01 cents) per share for the year ended 31 December 2023 to the shareholders of the Company, amounting to a total of approximately HK$179,171,000 (equivalent to US$22,923,000) calculated by the number of shares on the ex-dividend date and exchange rate at dividend declaration date. After deducting the dividends of approximately HK$10,531,000 (equivalent to US$1,347,000) which is distributed to SWCS Trustee Limited ("SWCS"), the trustee of the Post-IPO Share Award Scheme, the final 2023 dividend of the Company was approximately HK$168,640,000 (equivalent to US$21,576,000) and was paid partially in July 2024.

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

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Machinery and equipment US$'000	Office equipment US$'000	Electronic equipment US$'000	Total US$'000
31 December 2024					
At 1 January 2024:					
Cost	2,972	6,650	429	1,749	11,800
Accumulated depreciation	(1,831)	(3,630)	(327)	(1,206)	(6,994)
Exchange realignment	(87)	(167)	(18)	(59)	(331)
Net carrying amount	1,054	2,853	84	484	4,475
At 1 January 2024, net of accumulated depreciation	1,054	2,853	84	484	4,475
Additions	725	4,108	45	608	5,486
Depreciation provided during the year (note 6)	(702)	(1,706)	(30)	(374)	(2,812)
Impairment provided during the year	—	(70)	—	—	(70)
Disposals	—	(15)	(6)	—	(21)
Exchange realignment	(34)	(63)	(7)	—	(104)
At 31 December 2024, net of accumulated depreciation	1,043	5,107	86	718	6,954
At 31 December 2024:					
Cost	3,698	10,645	466	2,281	17,090
Accumulated depreciation	(2,534)	(5,308)	(355)	(1,504)	(9,701)
Exchange realignment	(121)	(230)	(25)	(59)	(435)
Net carrying amount	1,043	5,107	86	718	6,954

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements US$'000	Machinery and equipment US$'000	Office equipment US$'000	Electronic equipment US$'000	Total US$'000
31 December 2023					
At 1 January 2023:					
Cost	2,492	4,772	705	2,210	10,179
Accumulated depreciation	(1,080)	(2,507)	(504)	(1,282)	(5,373)
Exchange realignment	(72)	(127)	(14)	(36)	(249)
Net carrying amount	1,340	2,138	187	892	4,557
At 1 January 2023, net of accumulated depreciation	1,340	2,138	187	892	4,557
Additions	480	2,154	57	113	2,804
Depreciation provided during the year (note 6)	(751)	(1,290)	(116)	(452)	(2,609)
Disposals	—	(109)	(35)	(46)	(190)
Disposal of a subsidiary	—	—	(5)	—	(5)
Exchange realignment	(15)	(40)	(4)	(23)	(82)
At 31 December 2023, net of accumulated depreciation	1,054	2,853	84	484	4,475
At 31 December 2023:					
Cost	2,972	6,650	429	1,749	11,800
Accumulated depreciation	(1,831)	(3,630)	(327)	(1,206)	(6,994)
Exchange realignment	(87)	(167)	(18)	(59)	(331)
Net carrying amount	1,054	2,853	84	484	4,475

14. LEASES

The Group as a lessee

The Group has lease contracts for offices, warehouses, machinery and equipment such as forklifts used for its operations. Leases of offices and warehouses generally have lease terms between 1 and 6.5 years, while machinery and equipment generally have lease terms between 2 and 5 years. Other office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(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:

	Offices and warehouses US$'000	Machinery and equipment US$'000	Total US$'000
As at 1 January 2023	9,886	330	10,216
Additions	1,801	213	2,014
Disposal or early termination	(505)	—	(505)
Depreciation charge (note 6)	(4,071)	(127)	(4,198)
Exchange realignment	(74)	—	(74)
As at 31 December 2023 and 1 January 2024	**7,037**	**416**	**7,453**
Additions	**7,164**	**—**	**7,164**
Increase as a result of lease modifications	**1,907**	**—**	**1,907**
Disposal or early termination	**(1,184)**	**—**	**(1,184)**
Depreciation charge (note 6)	**(4,614)**	**(116)**	**(4,730)**
Exchange realignment	**(88)**	**—**	**(88)**
As at 31 December 2024	**10,222**	**300**	**10,522**

14. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 US$'000	2023 US$'000
Carrying amount at 1 January	**8,516**	11,436
New leases	**7,164**	2,014
Lease modification	**1,907**	—
Accretion of interest recognised during the year	**738**	480
Payments	**(5,249)**	(4,771)
Disposal or early termination	**(1,294)**	(562)
Exchange realignment	**(104)**	(81)
Carrying amount at 31 December	**11,678**	8,516
Analysed into:		
Current portion	**4,717**	3,532
Non-current portion	**6,961**	4,984

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 US$'000	2023 US$'000
Interest on lease liabilities	**738**	480
Depreciation charge of right-of-use assets	**4,730**	4,198
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**247**	232
Total amount recognised in profit or loss	**5,715**	4,910

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

15. OTHER INTANGIBLE ASSETS

	Software US$'000	Trademarks US$'000	Total US$'000
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	**17**	**—**	**17**
Additions	**234**	**—**	**234**
Amortisation provided during the year (note 6)	**(33)**	**—**	**(33)**
Exchange realignment	**—**	**—**	**—**
At 31 December 2024	**218**	**—**	**218**
At 31 December 2024:			
Cost	**1,562**	**835**	**2,397**
Accumulated amortization and impairment loss	**(1,344)**	**(849)**	**(2,193)**
Exchange realignment	**—**	**14**	**14**
Net carrying amount	**218**	**—**	**218**
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	207	—	207
Additions	31	—	31
Amortisation provided during the year (note 6)	(218)	—	(218)
Exchange realignment	(3)	—	(3)
At 31 December 2023	17	—	17
At 31 December 2023:			
Cost	1,336	835	2,171
Accumulated amortization and impairment loss	(1,330)	(849)	(2,179)
Exchange realignment	11	14	25
Net carrying amount	17	—	17

16. INVESTMENT IN A JOINT VENTURE

	2024 **US$'000**	2023 US$'000
Share of net assets	**—**	10,851

16. INVESTMENT IN A JOINT VENTURE (Continued)

Particulars of the Group's joint venture for the year ended 31 December 2023 were as follows:

Name	Place of registration	Capital commitments	Percentage of ownership interest, voting power and profit sharing	Principal activities
Sanya City Fengyuan Chenle Equity Investment Fund PPL ("Fengyuan Chenle")	PRC/ Mainland China	RMB252,500,000	64.25%	Investment in industries of smart household appliances and smart home devices.

The above investment was directly held by a wholly-owned subsidiary of the Company and was reclassified to an associate due to change of shares and revised partnership agreement (note 17)..

17. INVESTMENTS IN ASSOCIATES

	2024 US$'000	2023 US$'000
Share of net assets	**10,271**	60
Goodwill on acquisition	**916**	916
Subtotal	**11,187**	976
Impairment of investment of an associate	**(921)**	(916)
Total	**10,266**	60

Particulars of a material associate are as follows:

Name	Place of registration	Capital commitments	Percentage of ownership interest and profit sharing	Principal activities
Sanya City Fengyuan Chenle Equity Investment Fund PPL ("Fengyuan Chenle")	PRC/ Mainland China	RMB252,500,000	51.79%	Investment in industries of smart household appliances and smart home devices.

17. INVESTMENTS IN ASSOCIATES (Continued)

The Group's investment in Fengyuan Chenle was reclassified and equity-accounted as an associate during the year ended 31 December 2024. Fengyuan Chenle is directly held by a wholly-owned subsidiary of the Company. The Group held 51.79% interest of called capital and 33.66% interest of capital commitments of Fengyuan Chenle, and has significant influence over Fengyuan Chenle.

The following table illustrates the summarised financial information in respect of Fengyuan Chenle adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2024 **US$'000**	2023 US$'000
Cash and cash equivalents	**14,630**	17,271
Financial assets at fair value through profit or loss	**4,779**	—
Prepayments, other receivables and other assets	**321**	—
Other payables and accruals	**(11)**	(381)
Net asset	**19,719**	16,890
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**51.79%**	64.25%
Group's share of net assets of the associate	**10,212**	10,851
Carrying amount of the investment	**10,212**	10,851
Other income	**195**	252
Administrative expenses	**(779)**	(376)
Loss for the year	**(584)**	(124)

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **US$'000**	2023 US$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Zhejiang Zhirou Technology Co., Ltd	**363**	1,778

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **US$'000**	2023 US$'000
Investments at fair value through profit or loss	**2,300**	—

The above investments at fair value through profit or loss are investments in some redeemable preferred shares or convertible notes issued by private investee companies.

20. INVENTORIES

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

21. TRADE AND NOTES RECEIVABLES

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

The credit period is generally 30 to 120 days. Some customers have a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

Note:

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

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

21. TRADE AND NOTES RECEIVABLES (Continued)

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

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

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

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

An impairment analysis is performed at the end of each of the reporting periods using a provision matrix to calculate expected credit losses for trade receivables from customers other than the largest retailer and some major customers. The provision rates are based on days past due of these customers. For the largest retailer and some major customers, the provision rate is based on the Moody's credit rating.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

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

21. TRADE AND NOTES RECEIVABLES (Continued)

As at 31 December 2023

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

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 US$'000	2023 US$'000
Deposits and other receivables	**22,600**	3,474
Prepayments	**6,549**	4,796
Loans to employees	**1,028**	1,023
Loan to a third party	**—**	690
Other assets	**5,119**	9,460
	35,296	19,443
Impairment allowance	**(160)**	—
Total	**35,136**	19,443
Analysed into:		
Current	**34,108**	18,420
Non-current	**1,028**	1,023
Total	**35,136**	19,443

The loans to employees were given for the purpose of replenishing personal liquidity.

An impairment analysis was performed at the end of the reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Company considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2024	
	Assets	**Liabilities**
	US$'000	**US$'000**
Forward currency contracts	**1,245**	**1,314**
Total	**1,245**	**1,314**

	31 December 2023	
	Assets	Liabilities
	US$'000	US$'000
Forward currency contracts	—	214
Foreign exchange options	128	—
Total	128	214

Forward currency contracts and options for foreign currency are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivative financial instruments amounting to US$49,000 (2023: US$86,000) were charged to profit or loss during the year.

24. CASH AND CASH EQUIVALENTS, TIME AND PLEDGED DEPOSITS

	2024 **US$'000**	2023 US$'000
Cash and bank balances	**116,155**	145,367
Time deposits	**195,290**	80,289
Subtotal	**311,445**	225,656
Less: Pledged deposits*	**35,792**	40,596
Time deposit pledged for bank notes	**13,775**	41,803
Time deposit with maturity of over three months	**83,012**	38,487
Restricted for the share award scheme**	**1,506**	462
Cash and cash equivalents	**177,360**	104,308

* Cash at bank were pledged for bank notes to suppliers, bank loans and derivative financial instruments purchased.

** Cash held by SWCS under the Share Award Scheme (note 31) can only be used exclusively for employees notified by the board of directors under the rules of the Share Award Scheme during the trust period.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$38,208,000 (2023: US$57,984,000). 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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits earn interest at the respective deposit rates. Pledged short term time deposits are made for periods with a maturity of the bank notes and non-pledged short term time deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group. The bank balances and time and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND NOTES PAYABLES

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

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

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

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

26. OTHER PAYABLES AND ACCRUALS

	Notes	2024 US$'000	2023 US$'000
Contract liabilities	(a)	**2,589**	1,065
Other payables	(b)	**34,463**	20,463
Refund liabilities		**15,459**	13,336
Payroll payable		**19,180**	14,740
Dividend payable		**28,622**	5,198
Taxes payable other than corporate income tax		**6,753**	4,756
Total		**107,066**	59,558

Notes:

(a) Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The changes in the contract liabilities are mainly attributable to short-term advances received from customers in relation to sale of products.

(b) Other payables are non-interest-bearing and repayable on demand.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2024			As at 31 December 2023		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Bank overdraft — unsecured (note (a))	**—**	**2025**	**44**	—	2024	344
Bank overdraft — secured (note (b))	**—**	**2025**	**169**	—	—	—
US$24,463,000 bank loans — unsecured	**—**	**—**	**—**	2.65–7.00	2024	24,463
US$4,254,000 bank loans — secured	**—**	**—**	**—**	0.65–1.53	2024	4,254
US$2,323,000 bank loan — unsecured	**LPR*-65bps**	**2025**	**2,323**	—	—	—
US$16,432,000 bank loans — unsecured	**2.20–5.25**	**2025**	**16,432**	—	—	—
US$205,000 bank loans — secured (note (d))	**1.00**	**2025**	**205**	—	—	—
US$1,367,000 other loan — secured (note(e))	**4.96**	**2025**	**1,367**	—	—	—
Current portion of long-term bank loan — unsecured (note (c))	**1.00**	**2025**	**219**	1.00	2024	523
Total — current			**20,759**			29,584
Non-current						
US$219,000 bank loans — unsecured (note (c))	**—**	**—**	**—**	1.00	2025	219
Total			**—**			219

27. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

* LPR rate refers to Loan Prime Rate

Notes:

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

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

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

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

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

28. PROVISION

	Recall US$'000	Warranties US$'000	Surcharges US$'000	Total US$'000
At 31 December 2022 and 1 January 2023	47,277	1,007	4,262	52,546
Additional provision	7,165	571	1,173	8,909
Reversal of unutilised amounts	—	—	(1,268)	(1,268)
Amounts utilized during the year	(38,688)	(728)	—	(39,416)
At 31 December 2023 and 1 January 2024	**15,754**	**850**	**4,167**	**20,771**
Additional provision	**—**	**759**	**—**	**759**
Reversal of unutilised amounts	**(3,880)**	**—**	**(212)**	**(4,092)**
Amounts utilised during the year	**(3,200)**	**(877)**	**—**	**(4,077)**
At 31 December 2024	**8,674**	**732**	**3,955**	**13,361**

28. PROVISION (Continued)

	2024 US$'000	2023 US$'000
Analysed into:		
Portion classified as current liabilities	**9,406**	16,604
Non-current portion	**3,955**	4,167
Total	**13,361**	20,771

Recall

The provision is related to a voluntary recall which constitutes onerous contracts by providing free replacement of certain models of air fryers and substitute products. The amount of the provision is estimated based on the overall customer response rate, future expenditures to fulfilling customers' response and necessary management and supervision costs.

Warranties

The Group provides one-year warranties to its customers on their products sold. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of replacements. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Surcharges

The provision is mainly attributable to tax surcharges in relation to customs duty due to late payments.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Unrealised profit from inter-company transactions US$'000	Inventory provision US$'000	Lease liabilities US$'000	Provision for warranties and recall US$'000	Uniform of capitalisation of inventory cost US$'000	Equity-settled share award and option arrangement US$'000	Refund liabilities US$'000	Others US$'000	Total US$'000
At 1 January 2023	14,503	2,236	2,287	5,338	2,299	543	3,242	547	30,995
Deferred tax credited/ (charged) to profit during the year (note 10)	(494)	95	(423)	(5,149)	(1,200)	310	260	226	(6,375)
Exchange realignment	—	—	(12)	—	—	—	—	—	(12)
At 31 December 2023 and 1 January 2024	**14,009**	**2,331**	**1,852**	**189**	**1,099**	**853**	**3,502**	**773**	**24,608**
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	**(8,553)**	**(1,154)**	**682**	**(14)**	**(582)**	**(644)**	**394**	**467**	**(9,412)**
Deferred tax credited to other comprehensive income during the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**340**	**340**
Exchange realignment	**—**	**(46)**	**(6)**	**—**	**—**	**—**	**(35)**	**(20)**	**(107)**
At 31 December 2024	**5,456**	**1,131**	**2,528**	**175**	**517**	**209**	**3,861**	**1,560**	**15,437**

29. DEFERRED TAX (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax liabilities

	Right-of-return assets US$'000	Right-of-use assets US$'000	Total US$'000
At 1 January 2023	900	2,001	2,901
Deferred tax credited to profit or loss during the year (note 10)	(900)	(415)	(1,315)
At 31 December 2023 and 1 January 2024	—	1,586	1,586
Deferred tax charged to profit or loss during the year (note 10)	—	686	686
Exchange realignment	—	(8)	(8)
At 31 December 2024	—	2,264	2,264

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 US$'000	2023 US$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**13,173**	23,022

29. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2024 US$'000	2023 US$'000
Tax losses arising in:		
United States	**8,661**	6,694
Macau	**9,961**	—
Others	**460**	1,935
Total	**19,082**	8,629

The above tax losses arising in Macau will expire in three years and tax losses arising in the United States are available indefinitely for offsetting against future taxable profit of the companies in which the losses arose.

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 is effective from 1 January 2008 and applies to earnings after 31 December 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 1 January 2008. Pursuant the rules and regulations of Macau and Singapore, dividends are not subject to withholding tax. Pursuant to the United States Corporate Income Tax Law, a 30% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the United States. Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China, United States, European Union, the United Kingdom and etc. In the opinion of the directors, it is not probable that these subsidiaries in Mainland China, United States and European Union will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China, United States and European Union which deferred tax liabilities have not been recognised totalled approximately US$20,156,000 as at 31 December 2024 (2023: US$18,395,000).

30. SHARE CAPITAL AND SHARE PREMIUM

Shares

	2024 US$'000	2023 US$'000
Authorised:		
2,000,000,000 (2023: 2,000,000,000) ordinary shares of HK$0.01 each	**2,580**	2,580
Issued:		
1,139,492,800 (2023: 1,162,884,800) ordinary shares of HK$0.01 each	**1,470**	1,500

The movements in the Company's share capital and share premium during the year are as follows:

	Number of ordinary shares in issue US$'000	Share capital US$'000	Share premium US$'000	Shares held for share award scheme US$'000	Total US$'000
At 1 January 2023	1,162,884,800	1,500	186,955	(43)	188,412
Equity-settled share award vested	—	—	(3)	3	—
Shares purchased (note (b))	—	—	(14,679)	(38)	(14,717)
At 31 December 2023 and 1 January 2024	**1,162,884,800**	**1,500**	**172,273**	**(78)**	**173,695**
Shares repurchased and cancelled (note (a))	**(23,392,000)**	**(30)**	**(14,759)**	**—**	**(14,789)**
Dividend declared	**—**	**—**	**(21,576)**	**—**	**(21,576)**
Equity-settled share awards vested	**—**	**—**	**(4)**	**4**	**—**
Shares purchased (note (b))	**—**	**—**	**(6,819)**	**(13)**	**(6,832)**
At 31 December 2024	**1,139,492,800**	**1,470**	**129,115**	**(87)**	**130,498**

Notes:

(a) The Company repurchased 12,659,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$61,390,000 in 2023. The repurchased shares were cancelled on 22 March 2024.

The Company repurchased 10,733,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HK$54,215,000 in 2024, which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The repurchased shares were cancelled during the year and the consideration has been recorded to share capital and share premium of the Company.

(b) The Company's trustee following the terms of the Post-IPO Share Award Scheme had purchased 10,977,000 (2023: 29,471,400) of the Company's shares on the Hong Kong Stock Exchange during the year at a total consideration of HK$53,406,000 (2023: HK$117,108,000).

31. SHARE-BASED PAYMENTS

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 1 December 2020 for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group. There is no performance target required except that the eligible participant remains in service for the Group during the vesting period.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded. At the time of adoption by the Company of the Share Option Scheme or any new share option scheme (the "New Scheme"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the "Existing Schemes") of the Company must not in aggregate exceed 10% of the total number of the Shares in issue as of the Listing Date (the "Scheme Mandate Limit").

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option is personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

The Share Option Scheme does not stipulate either a minimum period for which an option must be held or any performance targets a grantee is required to achieve before an option may be exercised. The board of directors of the Company may specify in the offer letter any conditions which must be satisfied before the option may be exercised, including, without limitation, such performance targets (if any) and minimum periods for which an option must be held before it can be exercised and any other terms in relation to the exercise of the option, including, without limitation, such percentages of the options that can be exercised during a certain period of time, as the board of the Company may determine from time to time.

31. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme (Continued)

The following table discloses movements of share options under the Company's Share Option Scheme during the year:

Grantees	Exercise price (HK$/ share)	Closing price immediately prior to the grant (HK$/share)	Outstanding options as of 1 January, 2024	Granted	Exercised	Cancelled	Lapsed	Outstanding options as of 31 December 2024	Exercise period
Directors									
Yang Lin	12.88	10.360	1,150,000	—	—	—	—	1,150,000	14 May 2021 to 13 May 2031
Yang Hai	12.88	10.360	1,150,000	—	—	—	—	1,150,000	14 May 2021 to 13 May 2031
Chen Zhaojun	12.88	10.360	2,000,000	—	—	—	—	2,000,000	14 May 2021 to 13 May 2031
Yang Yuzheng	12.88	10.360	200,000	—	—	—	—	200,000	14 May 2021 to 13 May 2031
Fong Wo, Felix	12.88	10.360	200,000	—	—	—	—	200,000	14 May 2021 to 13 May 2031
Gu Jiong	12.88	10.360	200,000	—	—	—	—	200,000	14 May 2021 to 13 May 2031
Tan Wen	12.88	10.360	200,000	—	—	—	—	200,000	14 May 2021 to 13 May 2031
Total			5,100,000	—	—	—	—	5,100,000	

The share options can be vested in accordance with the following schedule:

- 10% of the total number of the options granted are exercisable at any time on or after the first anniversary of the grant date;
- another 10% of the total number of the options granted are exercisable at any time after the second anniversary of the grant date;
- another 20% of the total number of the options granted are exercisable at any time after the third anniversary of grant date;
- another 30% of the total number of the options granted are exercisable at any time after the fourth anniversary of the grant date; and
- the remaining 30% of the total number of the options granted are exercisable at any time after the fifth anniversary of the grant date.

31. SHARE-BASED PAYMENTS (Continued)

Share Option Scheme (Continued)

The fair value of the options granted on 14 May 2021 was HK$21,146,000 (HK$4.15 each) (equivalent to US$2,722,000 (US$0.53 each)). The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2021
Dividend yield (%)	1.00
Expected volatility (%)	41.54
Risk-free interest rate (%)	1.21
Early exercise multiple	2.80
Weighted average share price (HK$ per share)	10.36
Forfeiture rate (%)	0.00

As at 31 December 2024, the number of options available for grant under the Share Option Scheme mandate was 107,210,480 (31 December 2023: 107,210,480).

Post-IPO Share Award Scheme

The Company adopted the Post-IPO Share Award Scheme (the "Scheme") to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Scheme was amended in October 2023 to comply with the provisions of the amendment to Chapter 17 of the Listing Rules. The Scheme became effective on 20 July 2021 and ending on 23 October 2033 (10 years from the date of adoption of the amended Post-IPO Share Award Scheme).

The Scheme is subject to the administration of the board of director of the Company (the "Board") and the trustee in accordance with the scheme rules and the trust deed. The decision of the Board with respect to any matter arising under the Scheme (including the interpretation of any provision) shall be final and binding.

The maximum number of share awards currently permitted to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share awards to each eligible participant in the Scheme is limited to 1% of the shares of the Company in issue at any time.

(i) Shares transferred from Pre-IPO Share Award Scheme

On 16 June 2020, the Company adopted the Pre-IPO Share Award Scheme (the "Share Award Scheme") which is subject to the administration of the Board in accordance with the rules of the Share Award Scheme and the Company established the Share Award Trust with Bank of Communications Trustee Limited ("BOCT") for holding the awarded shares for the benefit of the selected employees. On 28 April 2022, SWCS was appointed by the Company as the successor trustee to manage the pre-IPO trust. The pre-IPO trust was terminated after the shares and trust assets were transferred to post-IPO trust in October 2022. There were 34,104,800 shares transferred to post-IPO trust and available for grant under Post-IPO Share Award Scheme.

31. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Award Scheme (Continued)

(i) Shares transferred from Pre-IPO Share Award Scheme (Continued)

On 1 November 2020, the Company granted and vested 10,000 shares (8,000,000 Shares after capitalisation) (the "Vested Awarded Shares") with consideration of HK$100 to Ms. Jiang Junxiu before the Company's listing on The Stock Exchange of Hong Kong Limited (the "Listing") under the Share Award Scheme. In connection with the aforesaid grant, as instructed by the Company, BOCT transferred 10,000 Awarded Shares at par to Gongjin BVI, an investment holding vehicle of Ms. Jiang Junxiu, accordingly. Pursuant to the terms of the Share Award Scheme and the specific terms and conditions set out in the grant notice ("Grant Notice"), the awarded shares shall be vested on Ms. Jiang Junxiu on a one-off basis on or before the Listing, and subject to a five-year undertaking period on the Vested Awarded Shares from the date of vesting as imposed by the Board (the "Undertaking Period"), and the Vested Awarded Shares granted to Ms. Jiang Junxiu will be considered as fulfilled during the Undertaking Period in accordance with the following schedule (the "Fulfilment Schedule"):

- 10% of Ms. Jiang Junxiu's vested shares shall become fulfilled upon the first anniversary of the date of vesting;
- 10% of Ms. Jiang Junxiu's vested shares shall become fulfilled upon the second anniversary of the date of vesting;
- 20% of Ms. Jiang Junxiu's vested shares shall become fulfilled upon the third anniversary of the date of vesting;
- 30% of Ms. Jiang Junxiu's vested shares shall become fulfilled upon the fourth anniversary of the date of vesting; and
- 30% of Ms. Jiang Junxiu's vested shares shall become fulfilled upon the fifth anniversary of the date of vesting.

During the Undertaking Period, if Ms. Jiang Junxiu ceases to be able to satisfy the vesting conditions applicable to her performance conditions and service condition, Ms. Jiang Junxiu shall pay to the Company an amount equivalent to the difference between the vesting price as specified in the Grant Notice (the "Vesting Price") and the Offer price multiplied by the unfulfilled portion of the Vested Awarded shares according to the Fulfilment Schedule.

Upon the grant of any of the shares granted as specified in grant notice (the "Awarded Shares"), the fair value of the Awarded Shares granted to the Selected Employees will be measured at the date of grant and will be recognised as expense in the financial statements of the Group over the undertaking period. The number of vested shares that are not fulfilled at 31 December 2024 was 2,400,000 (2023: 4,800,000). The fair value of the Awarded Shares granted on 1 November 2020 was HK$22,000,000, which was estimated as at the date of grant using a discounted cash flow model, taking into account the terms and conditions upon which the Awarded Shares were granted.

31. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Award Scheme (Continued)

(ii) Shares awarded after the Listing

Since 27 July 2021, pursuant to share award notices, several employees have been granted shares of the Company at nil consideration with various vesting periods. The following table discloses movements of share awards under the Company's Post-IPO Share Award Scheme during the year ended 31 December 2024:

Grantees	Date of grant	Purchase price (HK$/ Share)	Fair value as of date of grant of the awards granted during the year (HK$/Share)	Unvested awards as of 1 January 2024	Granted	Vested	Cancelled	Lapsed	Unvested awards as of 31 December 2024	Vesting period
Director										
	2024/7/18	—	4.44	—	725,000	241,667	—	—	483,333	18 September 2024 to 18 July 2026 (Note j)
Employees										
	2021/7/21	—	11.32	27,500	—	27,500	—	—	—	Not applicable
	2022/1/1	—	9.29	1,222,000	—	974,000	—	—	248,000	31 October 2022 to 17 October 2026 (Note a)
	2022/1/19	—	8.42	187,200	—	70,200	—	73,000	44,000	18 January 2023 to 18 January 2025 (Note b)
	2022/4/9	—	4.83	90,400	—	33,900	—	56,500	—	Not applicable
	2022/7/6	—	4.99	802,400	—	300,900	—	—	501,500	5 July 2023 to 5 July 2025 (Note c)
	2022/11/1	—	2.18	1,080,000	—	120,000	—	—	960,000	5 July 2023 to 5 July 2027 (Note d)
	2023/10/26	—	4.89	3,097,800	—	935,850	—	371,200	1,790,750	31 October 2023 to 5 July 2027 (Note e)
	2023/10/31	—	4.89	1,519,500	—	—	—	1,519,500	—	Not applicable
	2023/11/1	—	4.93	411,000	—	—	—	411,000	—	Not applicable
	2023/11/6	—	4.8	232,000	—	46,400	—	—	185,600	6 November 2024 to 6 November 2026 (Note f)
	2024/3/31	—	4.96	—	200,000	—	—	—	200,000	31 January, 2025 to 31 January 2027 (Note g)
	2024/4/8	—	4.93	—	83,000	—	—	83,000	—	Not applicable
	2024/5/27	—	5.75	—	234,000	—	—	—	234,000	27 May 2025 to 27 May 2027 (Note h)
	2024/6/12	—	5.07	—	269,000	—	—	127,000	142,000	12 June 2025 to 12 June 2027 (Note i)
	2024/7/11	—	4.5	—	2,046,000	—	—	2,046,000	—	Not applicable
	2024/8/27	—	4.38	—	541,000	—	—	—	541,000	12 August 2025 to 12 August 2027 (Note k)
	2024/9/18	—	4.18	—	179,000	—	—	—	179,000	18 September 2025 to 18 September 2027 (Note l)
	2024/10/9	—	4.41	—	48,000	—	—	—	48,000	9 October 2025 to 9 October 2027 (Note m)
	2024/12/2	—	4.01	—	123,000	—	—	—	123,000	2 December 2025 to 2 December 2027 (Note n)
Total				8,669,800	4,448,000	2,750,417	—	4,687,200	5,680,183	

31. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Award Scheme (Continued)

(ii) Shares awarded after the Listing (Continued)

The following table discloses movements of share awards under the Company's Post-IPO Share Award Scheme during the year ended 31 December 2023:

Grantees	Date of grant	Purchase price (HK$/ Share)	Fair value as of date of grant of the awards granted during the year (HK$/Share)	Unvested awards as of 1 January, 2023	Granted	Vested	Cancelled	Lapsed	Unvested awards as of 31 December, 2023	Vesting period
Employees										
	2021/7/21	—	11.32	255,000	—	27,500	—	200,000	27,500	21 July 2021 to 20 July 2026
	2022/1/1	—	9.29	1,932,200	—	710,200	—	—	1,222,000	31 October 2022 to 17 October 2026
	2022/1/19	—	8.42	234,000	—	46,800	—	—	187,200	18 January 2023 to 18 January 2025
	2022/4/9	—	4.83	113,000	—	22,600	—	—	90,400	8 April 2023 to 8 April 2025
	2022/7/6	—	4.99	1,003,000	—	200,600	—	—	802,400	5 July 2023 to 5 July 2025
	2022/11/1	—	2.18	1,200,000	—	120,000	—	—	1,080,000	5 July 2023 to 5 July 2027
	2022/12/27	—	4.9	224,000	—	—	—	224,000	—	Not applicable
	2023/10/26	—	4.89	—	3,730,000	632,200	—	—	3,097,800	31 October 2023 to 5 July 2027
	2023/10/31	—	4.93	—	2,026,000	506,500	—	—	1,519,500	13 November 2023 to 13 November 2026
	2023/11/1	—	4.8	—	411,000	—	—	—	411,000	1 November 2024 to 1 November 2026
	2023/11/6	—	4.62	—	232,000	—	—	—	232,000	6 November 2024 to 6 November 2026
Total				4,961,200	6,399,000	2,266,400	—	424,000	8,669,800	

Notes:

(a) The 248,000 share awards shall be vested in accordance with the following schedule:
134,000 share awards shall be vested in 2025; and
114,000 share awards shall be vested in 2026;

(b) The 44,000 share awards shall be vested in 2025;

(c) The 501,500 share awards shall be vested in 2025;

(d) The 960,000 share awards shall be vested in accordance with the following schedule:
240,000 share awards shall be vested in 2025;
360,000 share awards shall be vested in 2026; and
360,000 share awards shall be vested in 2027.

(e) The 1,790,750 share awards shall be vested in accordance with the following schedule:
1,506,250 share awards shall be vested in 2025;
219,750 share awards shall be vested in 2026; and
64,750 share awards shall be vested in 2027.

(f) The 185,600 share awards shall be vested in accordance with the following schedule:
69,600 share awards shall be vested in 2025; and
116,000 share awards shall be vested in 2026.

31. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Award Scheme (Continued)

(ii) New shares awarded after Listing (Continued)

Notes: (Continued)

(g) The 200,000 share awards shall be vested in accordance with the following schedule:
40,000 share awards shall be vested in 2025;
60,000 share awards shall be vested in 2026; and
100,000 share awards shall be vested in 2027.

(h) The 234,000 share awards shall be vested in accordance with the following schedule:
78,000 share awards shall be vested in 2025;
78,000 share awards shall be vested in 2026; and
78,000 share awards shall be vested in 2027.

(i) The 142,000 share awards shall be vested in accordance with the following schedule:
28,400 share awards shall be vested in 2025;
42,600 share awards shall be vested in 2026; and
71,000 share awards shall be vested in 2027.

(j) The 483,333 share awards shall be vested in accordance with the following schedule:
241,667 share awards shall be vested in 2025; and
241,666 share awards shall be vested in 2026.

(k) The 541,000 share awards shall be vested in accordance with the following schedule:
108,200 share awards shall be vested in 2025;
162,300 share awards shall be vested in 2026; and
270,500 share awards shall be vested in 2027.

(l) The 179,000 share awards shall be vested in accordance with the following schedule:
35,800 share awards shall be vested in 2025;
53,700 share awards shall be vested in 2026; and
89,500 share awards shall be vested in 2027.

(m) The 48,000 share awards shall be vested in accordance with the following schedule:
9,600 share awards shall be vested in 2025;
14,400 share awards shall be vested in 2026; and
24,000 share awards shall be vested in 2027.

(n) The 123,000 share awards shall be vested in accordance with the following schedule:
24,600 share awards shall be vested in 2025;
36,900 share awards shall be vested in 2026; and
61,500 share awards shall be vested in 2027.

The fair value of the awards was measured at the date of grant, which was estimated by closing price of shares on the grant date. The fair value of the awards granted was HK$88,224,000 in total.

Subject to the discretion of the Board, the Company may further utilise the lapsed shares for other participants under the Scheme accordingly. As at 31 December 2024, the number of awards available for grant under the Post-IPO Share Award Scheme mandate was 102,691,480 (31 December 2023: 104,791,480).

31. SHARE-BASED PAYMENTS (Continued)

The fair value of the options and awards was measured at the date of grant and recognised as expense in the financial statements of the Group over the vesting or fulfilment period. For the year ended 31 December 2024, the Group recognised share option and award expenses of US$2,278,000 (2023: US$3,407,000).

32. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity on page 125 of the financial statements.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currencies are not US$.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions and lease modification to right-of-use assets of US$9,071,000 (2023: US$2,014,000) and non-cash additions and lease modification to lease liabilities of US$9,071,000 (2023: US$2,014,000) for the year ended 31 December 2024, respectively, in respect of lease arrangements for offices, warehouses, machinery and equipment.

The Group endorsed certain notes receivable accepted by certain banks in the PRC to certain of its suppliers in order to settle the trade and other payables due to such supplies with carrying amounts in aggregate of US$10,247,000 (2023: US$12,156,000).

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Lease liabilities US$'000	Bank and other borrowings US$'000	Interest payables US$'000
At 1 January 2023	11,436	9,236	82
Changes from financing cash flows	(4,771)	20,148	(508)
Interest expense	480	626	426
New leases	2,014	—	—
Early termination	(562)	—	—
Exchange realignment	(81)	(207)	—
At 31 December 2023 and 1 January 2024	**8,516**	**29,803**	**—**
Changes from financing cash flows	**(5,249)**	**(9,445)**	**(17)**
Interest expense	**738**	**560**	**17**
New leases	**7,164**	**—**	**—**
Lease modification	**1,907**	**—**	**—**
Early termination	**(1,294)**	**—**	**—**
Exchange realignment	**(104)**	**(159)**	**—**
At 31 December 2024	**11,678**	**20,759**	**—**

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	2024 US$'000	2023 US$'000
Within operating activities	**247**	269
Within financing activities	**5,249**	4,771
Total	**5,496**	5,040

34. CONTINGENT LIABILITIES

The Company is involved in litigation and regulatory inquiry in the ordinary course of doing business. The legal actions concern, among other things, recall, consumer protection, false advertising, infringement intelligence property rights, in connection with the Company's operations. These cases or inquires have progressed to various stages ranging from initial inquires, initial pleading stages to recovery stages. From time to time, parties may file counterclaims, and the Company will seek to vigorously prosecute and/or defend against any claims and resolve them in the ordinary course of business.

35. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship with the Company
Ms. Yang Lin	A director and the controlling shareholder
Mr. Yang Hai	A director and the controlling shareholder
Mr. Yang Yuzheng	A director and the controlling shareholder
Caerus Co., Ltd	An entity controlled by Mr. Yang Yuzheng
Karis I LLC	An entity controlled by Ms. Yang Lin
Karis II LLC	An entity controlled by Ms. Yang Lin
Arceus Co., Ltd	An entity controlled by Mr. Yang Hai

(a) Outstanding balances with related parties:

	2024 **US$'000**	2023 US$'000
Dividends payable		
Caerus Co., Ltd	**12,535**	2,244
Karis I LLC	**9,404**	1,680
Karis II LLC	**6,269**	1,120
Arceus Co., Ltd	**406**	149
Total	**28,614**	5,193

The balances are unsecured, interest-free and have no fixed terms of repayment.

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group:

	2024 US$'000	2023 US$'000
Short-term employee benefits	**2,378**	1,394
Pension scheme contributions	**20**	25
Equity-settled share option and share award expense	**671**	624
Total compensation paid to key management personnel	**3,069**	2,043

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

Financial assets at fair value through profit or loss

	2024 US$'000	2023 US$'000
Investments at fair value through profit or loss	**2,300**	—
Derivative financial assets	**1,245**	128
Total	**3,545**	128

Financial assets at fair value through other comprehensive income

	2024 US$'000	2023 US$'000
Trade receivables	**102,647**	—
Equity investment designed at fair value through other comprehensive income	**363**	1,778
Total	**103,010**	1,778

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets at amortised cost

	2024 US$'000	2023 US$'000
Trade and notes receivables	80,730	192,082
Financial assets included in prepayments, other receivables and other assets	23,468	5,187
Time deposits	83,012	38,487
Pledged deposits	51,073	82,861
Cash and cash equivalents	177,360	104,308
Total	415,643	422,925

Financial liabilities at fair value through profit or loss

	2024 US$'000	2023 US$'000
Derivative financial liabilities	1,314	214

Financial liabilities at amortised cost

	2024 US$'000	2023 US$'000
Trade and notes payables	119,473	113,112
Financial liabilities included in other payables and accruals	63,085	20,463
Interest-bearing bank borrowings	20,759	29,803
Total	203,317	163,378

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the non-current portion of lease liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk of lease liabilities as at 31 December 2024 were assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with A credit ratings. Derivative financial instruments, including forward currency contracts and options for foreign currency, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and options for foreign currency are the same as their fair values.

As at 31 December 2024, the mark-to-market value of the derivative asset position was 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 recognised at fair value.

The fair value of the unlisted equity investment designated at fair value through other comprehensive income is estimated by using a discounted cash flow valuation model based on market interest rates of instruments with similar terms and risks.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China and Hong Kong. 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 fair value of redeemable preferred shares recorded at fair value through profit or loss is estimated by the recent transaction approach and the equity allocation model.

The fair value of the trade receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of the reporting period has been calculated by discounting the expected future cash flows based on the agreed market interest rate.

37. 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 as at 31 December 2024 and 2023:

As at 31 December 2024

	Valuation technique	**Significant unobservable inputs**	**Range/Rate**	**Sensitivity of fair value to the input**
Unlisted equity investments designated at fair value through other comprehensive income	Discounted cash flow	Discount rate	21.5%	1% increase/decrease in discount would result in decrease/increase in fair value by US$–32,000/ US$36,000
		Discount for lack of marketability	20%	1% increase/decrease in discount would result in decrease/increase in fair value by US$–5,000/ US$5,000
Investments at fair value through profits or loss	Market approach	Discount for lack of marketability	9% to 12%	1% increase/decrease in multiple would result in decrease/increase in fair value by US$–25,000/ US$25,000

As at 31 December 2023

	Valuation technique	Significant unobservable inputs	Range/Rate	Sensitivity of fair value to the input
Unlisted equity investments designated at fair value through other comprehensive income	Discounted cash flow	Discount rate	21.5%	1% increase/decrease in discount would result in decrease/increase in fair value by US$–129,000/ US$148,000
	Discount for lack of marketability		22%	1% increase/decrease in discount would result in decrease/increase in fair value by US$–14,000/ US$14,000

37. 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 31 December 2024

	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
Unlisted equity investments designated at fair value through other comprehensive income	—	—	363	363
Financial assets at fair value through profit or loss	—	—	2,300	2,300
Trade receivables	—	102,647	—	102,647
Derivative financial instruments	—	1,245	—	1,245
Total	—	103,892	2,663	106,555

As at 31 December 2023

	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
Unlisted equity investments designated at fair value through other comprehensive income	—	—	1,778	1,778
Derivative financial instruments	—	128	—	128
Total	—	128	1,778	1,906

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Liabilities measured at fair value:

As at 31 December 2024

	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
Derivative financial instruments	—	**1,314**	—	**1,314**

As at 31 December 2023

	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
Derivative financial instruments	—	214	—	214

The movements in fair value measurements within Level 3 during the year are as follows:

	2024 US$'000	2023 US$'000
At 1 January	**1,778**	1,554
Purchases	**3,355**	—
Total (losses)/gains recognised in other comprehensive income	**(1,379)**	251
Total losses recognised in profit or loss	**(1,055)**	—
Exchange realignment	**(36)**	(27)
At 31 December	**2,663**	1,778

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents and pledged deposits. 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 and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are 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 summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between US$ and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations..

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 26.25% (2023: 26.39%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each of the reporting periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from foreign currency denominated financial instruments) and the Group's equity (due to changes in the fair value of an equity investment instrument and financial instruments translation).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax US$'000	Increase/ (decrease) in equity US$'000
31 December 2024			
If US$ weakens against the RMB	**5**	**(1,037)**	**(1,018)**
If US$ strengthens against the RMB	**(5)**	**1,037**	**1,018**
If US$ weakens against the HK$	**5**	**1,247**	**1,247**
If US$ strengthens against the HK$	**(5)**	**(1,247)**	**(1,247)**
If US$ weakens against the EUR	**5**	**107**	**107**
If US$ strengthens against the EUR	**(5)**	**(107)**	**(107)**
31 December 2023			
If US$ weakens against the RMB	5	767	861
If US$ strengthens against the RMB	(5)	(767)	(861)
If US$ weakens against the HK$	5	56	56
If US$ strengthens against the HK$	(5)	(56)	(56)
If US$ weakens against the EUR	5	—	—
If US$ strengthens against the EUR	(5)	—	—

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at the end of the reporting period.

All cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

The Group groups financial instruments on basis of shared credit risk characteristics, such as instrument type and credit risk rating for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from 30 to 120 days and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach in calculating ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporated forward-looking information based on key economic variables.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its receivables except for trade receivables into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When receivables except for trade receivables are first recognised, the Group recognises an allowance based on 12-month ECLs.

Stage 2 When receivables except for trade receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3 When receivables except for trade receivables are considered credit-impaired, the Group records an allowance for the lifetime ECLs.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. The Group classified financial assets included in prepayments, other receivables and other assets in Stage 1 and continuously monitored their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments, other receivables and other assets. As at 31 December 2024, the Group had certain concentrations of credit risk as 74.54% (2023: 88.60%) of the Group's trade receivables were due from the Group's largest customer.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, is as follows:

	31 December 2024					
	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 3 years US$'000	Over 3 years US$'000	Total US$'000
Trade and notes payables	991	97,784	20,698	—	—	119,473
Interest-bearing bank borrowings	—	16,871	3,976	—	—	20,847
Financial liabilities included in other payables and accruals	63,085	—	—	—	—	63,085
Lease liabilities	—	1,410	3,877	5,217	2,360	12,864
Total	64,076	116,065	28,551	5,217	2,360	216,268

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	31 December 2023					
	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 3 years US$'000	Over 3 years US$'000	Total US$'000
Trade and notes payables	9,050	69,873	34,189	—	—	113,112
Interest-bearing bank borrowings	—	12,823	20,185	221	—	33,229
Financial liabilities included in other payables and accruals	20,463	—	—	—	—	20,463
Lease liabilities	—	1,046	2,946	5,030	76	9,098
Total	29,513	83,742	57,320	5,251	76	175,902

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 a strong credit rating and healthy capital ratios in order to support its business and maximise 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and notes payables, interest-bearing bank and other borrowings, other payables and accruals and lease liabilities, less cash and cash equivalents, short-term time deposits and pledged deposits in current assets. The gearing ratios as at the end of the reporting periods were as follows:

	2024 US$'000	2023 US$'000
Trade and notes payables	**119,473**	113,112
Interest-bearing bank and other borrowings	**20,759**	29,803
Other payables and accruals	**107,066**	59,558
Lease liabilities	**11,678**	8,516
Less: Cash and cash equivalents	**(177,360)**	(104,308)
Short-term time deposits	**(39,455)**	(32,752)
Pledged deposits	**(39,922)**	(78,028)
Net debt	**2,239**	(4,099)
Equity attributable to owners of the parent	**369,316**	327,516
Capital and net debt	**371,555**	323,417
Gearing ratio	**0.60%**	N/A

39. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

In the ordinary course of business, the Group has factored a part of receivables to financial institutions without recourse for its short-term financing needs, and has entered into non-recourse receivables factoring agreements with a bank to transfer certain receivables to the bank. Under certain receivable factoring agreements, the Group is not required to undertake default risks and the delayed repayment risk from the debtors after the transfer of receivables, and all risks and rewards related to the ownership of the receivables are transferred. The definition of termination of financial assets is met. Therefore, the Group derecognised the receivables under the factoring agreements at carrying amount. As at 31 December 2024, the carrying amount of transferred receivables under the relevant factoring agreements was US$59,602,000 (31 December 2023: Nil), and during the year ended 31 December 2024, the loss related to derecognition amounted to US$1,445,000 (31 December 2023: Nil).

As at 31 December 2024, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of USD$5,064,000 (2023: US$5,584,000) (the "Endorsement"). In addition, the Group discounted certain notes receivable accepted by certain banks in the PRC (the "Discounted Notes") with a carrying amount in aggregate of USD$1,257,000 (2023: USD$4,254,000) (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, as at 31 December 2024, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes with amounts of US$5,064,000(2023: US$5,584,000) and Discounted Notes with amounts of US$1,257,000 (2023: USD$4,254,000) accepted by large and reputable banks (the "Derecognised Notes"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

40. EVENTS AFTER THE REPORTING PERIOD

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting periods is as follows:

	2024 US$'000	2023 US$'000
NON-CURRENT ASSETS		
Investment in subsidiaries	13,127	11,413
Due from a related party (note (a))	1,593	540
Total non-current assets	14,720	11,953
CURRENT ASSETS		
Other receivables	36	2
Due from subsidiaries	90,388	153,497
Cash and cash equivalents	73,250	28,166
Total current assets	163,674	181,665
CURRENT LIABILITIES		
Other payables and accruals	29,794	5,333
Due to a related party	1,157	7,457
Total current liabilities	30,951	12,790
NET CURRENT ASSETS	132,723	168,875
Net assets	147,443	180,828
EQUITY		
Share capital	1,470	1,500
Treasury shares		
Share premium (note (b))	129,115	172,273
Reserves (note (b))	16,858	7,055
Total equity	147,443	180,828

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The balances represent shares held by SWCS with an amount of US$87,000 (2023: US$78,000) and cash held by SWCS with an amount of US$1,506,000 (2023: US$462,000) deriving from the dividend declared under the Share Award Scheme (note 31) as at the end of the reporting period.

(b) A summary of the Company's share premium and reserves is as follows:

	Share premium account US$000	**Treasury shares** US$000	**Share award and option reserve** US$'000	**Retained profits/ accumulated losses** US$'000	**Total** US$'000
At 1 January 2023	186,955	—	5,590	(2,370)	190,175
Profit for the year	—	—	—	16,284	16,284
Equity-settled share award and option arrangement	—	—	3,407	—	3,407
Equity-settled share awards vested	(3)	—	—	—	(3)
Shares repurchased	—	(7,856)	—	—	(7,856)
Shares purchased	(14,679)	—	—	—	(14,679)
Dividends declared	—	—	—	(8,000)	(8,000)
At 31 December 2023 and 1 January 2024	172,273	(7,856)	8,997	5,914	179,328
Profit for the year	—	—	—	11,904	11,904
Equity-settled share award and option arrangement	—	—	2,278	—	2,278
Equity-settled share awards vested	(4)	—	—	—	(4)
Shares repurchased	—	(6,933)	—	—	(6,933)
Shares purchased	(6,819)	—	—	—	(6,819)
Dividends declared	(21,576)	—	—	(12,235)	(33,811)
Cancellation of treasury shares	(14,759)	14,789	—	—	30
At 31 December 2024	129,115	—	11,275	5,583	145,973

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2025.

"2025 AGM"	the forthcoming annual general meeting of the Company to be held before June 30, 2025
"Annuity Trust I"	Lin Yang Annuity Trust I, an irrevocable grantor retained annuity trust with a term of two years established by Ms. Yang, of which North Point Trust Company L.L.C. is the trustee for the benefit of Family Trust I
"Annuity Trust II"	Lin Yang Annuity Trust II, an irrevocable grantor retained annuity trust with a term of three years established by Ms. Yang, of which North Point Trust Company L.L.C. is the trustee for the benefit of Family Trust II
"Annuity Trust III"	Lin Yang Annuity Trust III, an irrevocable grantor retained annuity trust with a term of two years established by Ms. Yang, of which North Point Trust Company L.L.C. is the trustee for the benefit of Family Trust I
"Annuity Trust IV"	Lin Yang Annuity Trust IV, an irrevocable grantor retained annuity trust with a term of three years established by Ms. Yang, of which North Point Trust Company L.L.C. is the trustee for the benefit of Family Trust II
"Annuity Trusts"	Annuity Trust I, Annuity Trust II, Annuity Trust III and Annuity Trust IV
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on December 1, 2020 and effective on December 18, 2020, as amended or supplemented from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report only and except where the context requires otherwise, references in this annual report to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Vesync Co., Ltd, an exempted company with limited liability incorporated in the Cayman Islands on January 9, 2019, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 15, 2020
"Director(s)"	the director(s) of the Company
"EUR"	Euros, the lawful currency of the member states of the European Union
"Family Trusts"	Lin Yang Family Trust I, an irrevocable trust established by Ms. Yang as both the settlor and trustee for the benefit of any children born to or adopted by Ms. Yang and their respective issue
"Global Offering"	the offer of the Shares for subscription as described in the section headed "Structure of the Global Offering" in the Prospectus
"Group" or "our" or "we" or "us"	the Company and its subsidiaries

DEFINITIONS

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	April 9, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	December 18, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Pre-IPO Share Award Scheme"	the pre-IPO share award scheme adopted by the Company on June 16, 2020 for the benefit of the employees
"Post-IPO Share Award Scheme"	the post-IPO share award scheme adopted by the Company on July 20, 2021
"Prospectus"	the prospectus of the Company dated December 8, 2020 in connection with the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Trust"	a discretionary trust established on June 16, 2020 with the Company as the settlor and Bank of Communications Trustee Limited as the trustee
"Share Option Scheme"	the share option scheme conditionally adopted by the then Shareholders on December 1, 2020
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" and "U.S."	the United States of America
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent
"IoT"	internet of things
"Voluntary Recall"	the voluntary recall of certain models of air fryers under the "Cosori" brand in the United States, Canada and Mexico