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JS Global Lifestyle Company Limited

JS 环球生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1691)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS OF THE 2019 ANNUAL RESULTS ANNOUNCEMENT

- Total revenue of the Group was US\$3,016.1 million, representing a year-on-year increase of 12.5%;
- Gross profit was US\$1,126.5 million, a year-on-year increase of 12.8%;
- Profit for the year ended December 31, 2019 was US\$85.2 million, a year-on-year decrease of 24.0%;
- EBITDA for the year ended December 31, 2019 decreased by 4.6% year-on-year to approximately US\$290.0 million;
- Adjusted EBITDA for the year ended December 31, 2019 increased by 17.7% year-on-year to approximately US\$367.4 million;
- Adjusted profit attributed to owners of the parent for the year ended December 31, 2019 increased by 127.8% year-on-year to approximately US\$136.2 million;
- The Board resolved to declare a special dividend of US\$7.34 cent (equivalent to approximately HK\$0.5717) per share.

The board (the “**Board**”) of directors (the “**Directors**”) of JS Global Lifestyle Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**” or “**We**”) for the year ended December 31, 2019 (the “**Reporting Period**”).

FINANCIAL INFORMATION

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended December 31, 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2019

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
REVENUE	4	3,016,094	2,681,914
Cost of sales		(1,889,568)	(1,682,871)
Gross profit		1,126,526	999,043
Other income and gains	5	28,621	44,462
Selling and distribution expenses		(506,795)	(477,608)
Administrative expenses		(415,630)	(317,585)
Impairment losses on financial assets		(1,627)	(4,062)
Other expenses		(30,849)	(31,393)
Finance costs	7	(83,716)	(78,273)
Share of profits and losses of associates		2,450	5,809
PROFIT BEFORE TAX	6	118,980	140,393
Income tax expense	8	(33,803)	(28,270)
PROFIT FOR THE YEAR		85,177	112,123
Attributable to:			
Owners of the parent		42,134	34,883
Non-controlling interests		43,043	77,240
		85,177	112,123
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
— Basic		US3.8 cents	US7.0 cents
— Diluted		US3.7 cents	US7.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2019

	2019 US\$'000	2018 US\$'000
PROFIT FOR THE YEAR	<u>85,177</u>	<u>112,123</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(4,129)</u>	<u>(37,105)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(4,129)</u>	<u>(37,105)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Financial assets designated at fair value through other comprehensive income:		
Changes in fair value	923	5,055
Income tax effect	<u>(266)</u>	<u>(768)</u>
	657	4,287
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>657</u>	<u>4,287</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(3,472)</u>	<u>(32,818)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>81,705</u>	<u>79,305</u>
Attributable to:		
Owners of the parent	38,069	19,566
Non-controlling interests	<u>43,636</u>	<u>59,739</u>
	<u>81,705</u>	<u>79,305</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		206,617	191,314
Investment properties		25,788	28,250
Prepaid land lease payments		15,588	16,130
Right-of-use assets		56,695	58,840
Goodwill	<i>11</i>	839,767	839,767
Other intangible assets		548,830	558,651
Investments in associates		35,606	36,003
Financial assets at fair value through profit or loss		58,677	60,794
Financial assets designated at fair value through other comprehensive income		38,318	35,643
Deferred tax assets		44,895	46,532
Pledged deposits		114,913	—
Other non-current assets		13,725	17,430
		<hr/>	<hr/>
Total non-current assets		1,999,419	1,889,354
CURRENT ASSETS			
Inventories	<i>12</i>	393,081	349,862
Trade and bills receivables	<i>13</i>	804,250	772,660
Prepayments, other receivables and other assets		67,793	65,510
Financial assets at fair value through profit or loss		25,811	15,853
Pledged deposits		63,122	26,588
Cash and cash equivalents		421,316	180,872
		<hr/>	<hr/>
Total current assets		1,775,373	1,411,345

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	<i>14</i>	530,137	408,632
Other payables and accruals		411,046	364,098
Interest-bearing bank borrowings	<i>15</i>	26,176	485,544
Lease liabilities		9,450	10,980
Tax payable		13,649	11,421
		<hr/>	<hr/>
Total current liabilities		990,458	1,280,675
		<hr/>	<hr/>
NET CURRENT ASSETS		784,915	130,670
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,784,334	2,020,024
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>15</i>	1,049,119	699,721
Lease liabilities		52,777	52,612
Deferred tax liabilities		133,787	133,578
Financial liabilities associated with put option	<i>16</i>	—	656,650
Other non-current liabilities		15,290	14,459
		<hr/>	<hr/>
Total non-current liabilities		1,250,973	1,557,020
		<hr/>	<hr/>
Net assets		1,533,361	463,004
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>17</i>	33	—
Share premium		923,911	—
Capital reserve		69,415	69,035
Reserves/(deficits)		294,462	(172,752)
		<hr/>	<hr/>
		1,287,821	(103,717)
Non-controlling interests		245,540	566,721
		<hr/>	<hr/>
Total equity		1,533,361	463,004
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended December 31, 2019

1. CORPORATE AND GROUP INFORMATION

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

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

- Design, manufacture, marketing, export and distribution of small kitchen electrical appliances under the brand of “**Joyoung**”.
- Design, marketing, manufacture, export, import and distribution of a full range of floor care products, hard-surface steam cleaning products, small kitchen appliances and garment care products under the brands of “**Shark**” and “**Ninja**”.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”), which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Standing Interpretations Committee interpretations issued and approved by the ISBA, and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the consolidated financial statements. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial liabilities associated with put option which have been measured at fair value. These financial statements are presented in United States dollars (“**US\$**”) and all values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on operation and has three reportable operating segments of Joyoung, SharkNinja and Other.

- (a) the Joyoung segment was involved in the design, manufacture, marketing, export and distribution of small kitchen electrical appliances;
- (b) the SharkNinja segment was involved in the design, marketing, manufacture, export, import and distribution of a full range of floor care products, hard-surface steam cleaning products, small kitchen appliances and garment care products; and
- (c) the “Other” segment was involved in the manufacture and distribution of commercial soymilk makers, production and sales of soymilk powder. This segment was disposed of in August 2018.

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

Year ended December 31, 2019

	Joyoung <i>US\$'000</i>	SharkNinja <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue			
Sales to external customers	1,279,984	1,736,110	3,016,094
Intersegment sales	55,348	12,496	67,844
	<u>1,335,332</u>	<u>1,748,606</u>	<u>3,083,938</u>
Reconciliation:			
Elimination of intersegment sales			<u>(67,844)</u>
Revenue (<i>note 4</i>)			<u><u>3,016,094</u></u>
Segment results	133,749	99,976	233,725
Reconciliation:			
Interest income			2,175
Exchange loss			(1,741)
Unallocated income			1,684
Finance costs			(78,001)
Corporate and other unallocated expenses			<u>(38,862)</u>
Profit before tax			<u><u>118,980</u></u>
Other segment information			
Share of profits and losses of associates	2,450	—	2,450
Impairment losses recognized in profit or loss	(736)	2,522	1,786
Depreciation and amortization	15,313	77,860	93,173
Interest income	3,621	136	3,757
Finance costs	3,056	2,659	5,715
Investments in associates	35,606	—	35,606
Capital expenditure*	18,560	76,876	95,436

Year ended December 31, 2018

	Joyoung US\$'000	SharkNinja US\$'000	Other US\$'000	Total US\$'000
Segment revenue				
Sales to external customers	1,178,970	1,477,445	25,499	2,681,914
Intersegment sales	<u>31,100</u>	<u>3,475</u>	<u>395</u>	<u>34,970</u>
	1,210,070	1,480,920	25,894	2,716,884
Reconciliation:				
Elimination of intersegment sales				<u>(34,970)</u>
Revenue (<i>note 4</i>)				<u><u>2,681,914</u></u>
Segment results	129,869	79,597	3,270	212,736
Reconciliation:				
Interest income				242
Exchange gain				62
Loss on disposal of a subsidiary				(1,905)
Unallocated income				4,810
Finance costs (other than interest on lease liabilities)				(71,617)
Corporate and other unallocated expenses				<u>(3,935)</u>
Profit before tax				<u><u>140,393</u></u>
Other segment information				
Share of profits and losses of associates	5,809	—	—	5,809
Impairment losses recognized/(reversed) in profit or loss	1,277	3,050	(196)	4,131
Depreciation and amortization	13,777	73,646	75	87,498
Interest income	1,794	100	47	1,941
Finance costs	3,815	2,841	—	6,656
Gain on disposal of a subsidiary	9,755	—	—	9,755
Investments in associates	36,003	—	—	36,003
Capital expenditure*	21,886	75,848	—	97,734

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

Geographical information

(a) Revenue from external customers

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Mainland China	1,270,440	1,189,742
North America	1,457,781	1,310,458
Europe	221,654	132,127
Other countries/regions	66,219	49,587
	<u>3,016,094</u>	<u>2,681,914</u>

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

(b) Non-current assets

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Mainland China	152,890	151,572
North America	680,652	683,636
Europe	5,988	1,765
Other countries/regions	13,988	16,212
	<u>853,518</u>	<u>853,185</u>

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

Information about major customers

During the years ended December 31, 2019 and 2018, the Group had a large number of customers, none of whom contributed 10% or more to the Group's revenue.

4. REVENUE

An analysis of revenue is as follows:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods and provision of extended warranties	<u>3,016,094</u>	<u>2,681,914</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	2019 US\$'000	2018 US\$'000
Geographical markets		
Mainland China	1,270,440	1,189,742
North America	1,457,781	1,310,458
Europe	221,654	132,127
Other countries/regions	<u>66,219</u>	<u>49,587</u>
Total revenue from contracts with customers	<u><u>3,016,094</u></u>	<u><u>2,681,914</u></u>

	2019 US\$'000	2018 US\$'000
Timing of revenue recognition		
Goods transferred at a point in time	3,015,532	2,681,297
Services transferred over time	<u>562</u>	<u>617</u>
Total revenue from contracts with customers	<u><u>3,016,094</u></u>	<u><u>2,681,914</u></u>

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

	2019 US\$'000	2018 US\$'000
Sale of goods and provision of extended warranties	<u><u>60,668</u></u>	<u><u>19,185</u></u>

(b) Performance obligations

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

Sale of home appliance products

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

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

	2019 US\$'000	2018 US\$'000
Amounts expected to be recognized as revenue:		
Within one year	53,386	60,668
More than one year	<u>1,385</u>	<u>1,224</u>
	<u><u>54,771</u></u>	<u><u>61,892</u></u>

5. OTHER INCOME AND GAINS

2019
US\$'000

2018
US\$'000

Other income

Bank interest income	5,932	2,183
Net rental income from investment property operating leases	1,805	969
Government grants	8,115	10,272
Others	1,261	1,066
	<u>17,113</u>	<u>14,490</u>

Gains

Gain on disposal of items of property, plant and equipment	93	16,293
Gain on disposal of an investment property	—	1,863
Gain on financial assets at fair value through profit or loss, net	8,101	742
Gain on disposal of subsidiaries, net	—	9,755
Others	3,314	1,319
	<u>11,508</u>	<u>29,972</u>
	<u>28,621</u>	<u>44,462</u>

6. PROFIT BEFORE TAX

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

2019
US\$'000

2018
US\$'000

Cost of inventories sold	1,889,568	1,682,871
Depreciation of property, plant and equipment	52,823	49,551
Depreciation of investment properties	2,130	2,355
Depreciation of right-of-use assets	14,855	12,946
Amortization of prepaid land lease payments	397	468
Amortization of other intangible assets (excluding capitalized development costs)*	20,097	22,040
Research and development costs:		
Amortization of capitalized development costs	2,893	138
Current year expenditure	133,548	118,942
	<u>136,441</u>	<u>119,080</u>
Lease payments not included in the measurement of lease liabilities	4,683	2,873
Auditor's remuneration	1,346	1,082
Listing expenses	21,394	—
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	252,405	184,944
Equity-settled share award expense	19,672	4,839
Pension scheme contributions	8,167	8,022
	<u>280,244</u>	<u>197,805</u>

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Foreign exchange differences, net		141	(298)
Changes in carrying amount of financial liabilities associated with put option**		29,005	28,817
Impairment of inventories	<i>12</i>	159	69
Impairment of financial assets, net:			
Impairment of trade receivables, net	<i>13</i>	2,800	3,759
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets		(1,173)	303
		1,627	4,062
Product warranty provision:			
Additional provision		12,414	8,862
Gain on disposal of items of property, plant and equipment		93	16,293
Gain on disposal of investment properties		—	1,863
Gain on financial assets at fair value through profit or loss, net		8,101	742
Gain on disposal of subsidiaries, net		—	9,755
Government grants***		8,115	10,272

Notes:

- * The amortization of patents, retailer relationship and software for the year are included in “Administrative expenses” and “Selling and distribution expenses” in the consolidated statement of profit or loss.
- ** During the year, the Group has recorded expenses of US\$29,005,000 (2018: US\$28,817,000) related to changes in carrying amount of financial liabilities associated with put option, which is included in other expenses in the consolidated statement of profit or loss. For details, refer to note 16 to the financial statements.
- *** Various government grants have been received for setting up research activities and alleviating unemployment in Mainland China. There are no unfulfilled conditions or contingencies relating to those grants that have been recognized.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Interest on bank loans	62,250	61,827
Interest on lease liabilities	2,996	2,964
Amortization of deferred finance costs	13,589	9,518
Other finance costs	4,881	3,964
	83,716	78,273

8. INCOME TAX

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Current income tax charge/(credit):		
In Mainland China	18,382	23,177
In the United States	14,544	6,117
In the United Kingdom	(3,835)	91
Elsewhere	3,257	120
Deferred income tax:		
In Mainland China	2,397	(2,610)
In the United States	(942)	1,375
Total tax charge for the year	<u>33,803</u>	<u>28,270</u>

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. The determination of current and deferred income taxes was based on the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2018: 25%) on their respective taxable income. During the year, one (2018: one) of the Group's entities obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

The Group realized tax benefits during the year through applying the preferential corporate income tax rates and the corporate income tax exemptions. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

2019

	Mainland China		The United States		The United Kingdom		Others		Total	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Profit/(loss) before tax	130,637		43,705		(14,083)		(41,279)		118,980	
Tax at the statutory tax rates	32,659	25.0	9,178	21.0	(2,676)	19.0	1,379	(3.3)	40,540	34.1
(Lower)/higher tax charges for specific provinces or enacted by local authority	(10,480)	(8.0)	2,909	6.7	—	—	(689)	1.7	(8,260)	(6.9)
Effect of withholding tax at 10% on the distributable profits of a Group's PRC subsidiary	1,962	1.5	—	—	—	—	—	—	1,962	1.6
Effect on opening deferred tax of decrease in tax rates	—	—	—	—	(374)	2.7	—	—	(374)	(0.3)
Adjustments in respect of current tax of prior years	(154)	(0.1)	—	—	—	—	—	—	(154)	(0.1)
Expenses not deductible for tax	1,981	1.5	6,539	15.0	—	—	—	—	8,520	7.2
Income not subject to tax	—	—	(1,958)	(4.5)	(447)	3.2	103	(0.2)	(2,302)	(1.9)
Profits and losses attributable to associates	(612)	(0.5)	—	—	—	—	—	—	(612)	(0.5)
Super deduction on research and development costs	(5,535)	(4.2)	(3,066)	(7.0)	(338)	2.4	—	—	(8,939)	(7.5)
Tax losses utilized from previous years	(660)	(0.5)	—	—	—	—	(679)	1.6	(1,339)	(1.1)
Tax losses not recognized	1,618	1.2	—	—	—	—	3,143	(7.6)	4,761	4.0
Tax charge/(credit) at the Group's effective tax rate	<u>20,779</u>	<u>15.9</u>	<u>13,602</u>	<u>31.2</u>	<u>(3,835)</u>	<u>27.3</u>	<u>3,257</u>	<u>(7.8)</u>	<u>33,803</u>	<u>28.6</u>

2018

	Mainland China		The United States		The United Kingdom		Others		Total	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Profit/(loss) before tax	132,665		20,571		3,116		(15,959)		140,393	
Tax at the statutory tax rates	33,166	25.0	4,320	21.0	592	19.0	(3,076)	19.3	35,002	24.9
(Lower)/higher tax charges for specific provinces or enacted by local authority	(8,439)	(6.4)	2,331	11.3	—	—	82	(0.5)	(6,026)	(4.3)
Effect on opening deferred tax of decrease in tax rates	—	—	(2,426)	(11.8)	—	—	—	—	(2,426)	(1.7)
Adjustments in respect of current tax of prior years	10	—	(155)	(0.8)	(118)	(3.8)	52	(0.3)	(211)	(0.2)
Expenses not deductible for tax	777	0.6	5,118	24.9	—	—	—	—	5,895	4.2
Profits and losses attributable to associates	(1,452)	(1.1)	—	—	—	—	—	—	(1,452)	(1.0)
Super deduction on research and development costs	(4,967)	(3.7)	(1,696)	(8.2)	(383)	(12.3)	—	—	(7,046)	(5.0)
Tax losses utilized from prior years	(90)	(0.1)	—	—	—	—	—	—	(90)	(0.1)
Tax losses not recognized	1,562	1.2	—	—	—	—	3,062	(19.2)	4,624	3.3
Tax charge at the Group's effective tax rate	<u>20,567</u>	<u>15.5</u>	<u>7,492</u>	<u>36.4</u>	<u>91</u>	<u>2.9</u>	<u>120</u>	<u>(0.7)</u>	<u>28,270</u>	<u>20.1</u>

The share of tax attributable to associates amounting to US\$612,000 (2018: US\$1,452,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

9. DIVIDENDS

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Proposed special — US\$0.0734 (equivalent to HK\$0.5717) (2018: nil) per ordinary share	<u>250,068</u>	<u>—</u>

The proposed special dividend for the year were approved by the board of directors of the Company on March 31, 2020.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,263,127,000 in issue during the year, as adjusted to reflect the shares subdivision during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the dilutive effect arising from the share award scheme of Joyoung Co., Ltd., a subsidiary of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	85,177	112,123
Effect of dilution-impact arising from the share award scheme of Joyoung Co., Ltd.	<u>(134)</u>	<u>—</u>
	<u>85,043</u>	<u>112,123</u>
	Number of shares 2019 '000	Number of shares 2018 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,263,127	1,603,578
Effect of dilution-weighted average number of ordinary shares: Share award scheme	<u>6,701</u>	<u>—</u>
	<u>2,269,828</u>	<u>1,603,578</u>

11. GOODWILL

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Goodwill at January 1	839,767	839,767
Less: provision for impairment	<u>—</u>	<u>—</u>
Goodwill at December 31	<u>839,767</u>	<u>839,767</u>

Impairment testing of goodwill and indefinite life intangible assets

Goodwill and trademarks recorded in other intangible assets with indefinite lives acquired through business combinations are allocated to the cash-generating unit (“CGU”) of Compass and its subsidiaries (collectively referred to as the “Compass”) for impairment testing.

The Group performed its annual impairment test as at December 31, 2019. The recoverable amount of the Compass CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management at December 31, 2019, and corroborated by the market approach. The discount rate applied to the cash flow projections is 16% (2018: 16%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 3% (2018: 3%).

Assumptions were used in the value in use calculation of the Compass CGU at December 31, 2019. The following describes key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth — The bases used to determine the future earnings potential are historical sales and average expected growth rates of the markets in North America, Europe, Asia and other markets.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Expenses — The value assigned to the key assumptions reflects past experience and management’s commitment to maintain the Compass CGU’s operating expenses to an acceptable level.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Based on the result of the impairment test on the Compass CGU, the estimated recoverable amount of Compass CGU exceeded the carrying amount of the CGU by US\$239,745,000 (2018: US\$179,466,000) as at December 31, 2019.

Sensitivity to changes in assumptions

The Company has performed the sensitivity analysis on key assumptions used in the impairment test. Had the estimated key assumptions been changed as follows, the headroom would be increased/(decreased) by:

	2019 US\$'000	2018 US\$'000
Five-year period growth rate increased by 5%	54,108	50,800
Five-year period growth rate decreased by 5%	(52,670)	(53,732)
Discount rate decreased by 5%	130,944	136,309
Discount rate increased by 5%	(115,292)	(123,994)

With regard to the assessment of the value in use of the Compass CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the CGU to exceed its recoverable amount.

12. INVENTORIES

	2019 US\$'000	2018 US\$'000
Raw materials	37,816	28,318
Finished goods	358,111	324,236
Less: Impairment	(2,846)	(2,692)
	<u>393,081</u>	<u>349,862</u>

The movements in provision for impairment of inventories are as follows:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
At the beginning of the year	2,692	2,655
Impairment losses	159	69
Exchange realignment	(5)	(32)
	<hr/>	<hr/>
At the end of the year	<u>2,846</u>	<u>2,692</u>

13. TRADE AND BILLS RECEIVABLES

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Bills receivable	332,011	349,342
Trade receivables	476,316	426,814
Less: Impairment	(4,077)	(3,496)
	<hr/>	<hr/>
	<u>804,250</u>	<u>772,660</u>

Certain of the Group's trading terms with its customers are payment in advance, while for other customers, credit is granted. The credit period is generally 30 days to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department and, in certain cases, credit insurance to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's associates of US\$12,692,000 (2018: US\$21,509,000) as at December 31, 2019, which are repayable on credit terms similar to those offered to the major customers of the Group.

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Within 6 months	801,206	768,349
6 months to 1 year	2,227	3,420
1 to 2 years	817	723
Over 2 years	—	168
	<hr/>	<hr/>
	<u>804,250</u>	<u>772,660</u>

The movements in provision for impairment of trade receivables are as follows:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
As at the beginning of the year	3,496	2,892
Impairment losses, net	2,800	3,759
Disposal of subsidiaries	—	(14)
Amount written off as uncollectible	(2,219)	(3,141)
	<hr/>	<hr/>
As at the end of the year	<u>4,077</u>	<u>3,496</u>

As at December 31, 2019 and 2018, the trade receivables were denominated in US\$ and RMB, and the fair values of trade receivables approximated to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix or assessed individually to measure expected credit losses. As at December 31, 2019, the amounts of individually assessed provision was US\$1,848,000 (2018: US\$1,460,000). The provision rates used in the provision matrix are based on the days from the billing date for customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At December 31, 2019

	Past due				Total
	1 to 6 months	7 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.13%	27.10%	48.39%	100%	
Gross carrying amount (US\$'000)	468,092	1,048	1,583	564	471,287
Expected credit losses (US\$'000)	615	284	766	564	2,229

At December 31, 2018

	Past due				Total
	1 to 6 months	7 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.10%	27.30%	49.28%	100%	
Gross carrying amount (US\$'000)	415,836	2,843	834	451	419,964
Expected credit losses (US\$'000)	398	776	411	451	2,036

14. TRADE AND BILLS PAYABLES

The aging analysis of trade and bills payables as at the end of the reporting period, based on the invoice date was as follows:

	2019 US\$'000	2018 US\$'000
Within 1 year	529,604	408,326
1 to 2 years	533	306
	<u>530,137</u>	<u>408,632</u>

Included in the trade and bills payables are trade payables of US\$36,564,000 (2018: US\$31,773,000) due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.

The Group's bills payable were secured by pledged deposits of the Group of US\$63,122,000 (2018: US\$26,588,000) as at December 31, 2019, and secured by bills receivable of the Group of US\$89,964,000 (2018: US\$48,755,000) as at December 31, 2019.

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

15. INTEREST-BEARING BANK BORROWINGS

	December 31, 2019			December 31, 2018		
	Interest rate (%)	Maturity	US\$'000	Interest rate (%)	Maturity	US\$'000
Current						
Bank loans — secured (b)	3.25+LIBOR	2020	26,176	3.25+LIBOR	2019	16,379
Bank loans — secured (b)			—	4.00+LIBOR	2019	1,989
Bank loans — secured (a)			—	1.55+LIBOR	2019	467,176
			<u>26,176</u>			<u>485,544</u>
Non-current						
Bank loans — secured (b)	3.25+LIBOR	2021–2022	167,667	3.25+LIBOR	2020–2022	193,864
Bank loans — secured (b)	4.00+LIBOR	2022–2024	420,966	4.00+LIBOR	2020–2024	433,376
Bank loans — secured (a)/(b)	2.75+LIBOR	2022	64,841	2.75+LIBOR	2022	72,481
Bank loans — secured (a)	1.60+LIBOR	2021–2024	282,066			—
Bank loans — secured (c)	1.20+HIBOR	2022	113,579			—
			<u>1,049,119</u>			<u>699,721</u>
			<u>1,075,295</u>			<u>1,185,265</u>

	December 31, 2019 US\$'000	December 31, 2018 US\$'000
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Analyzed into:

Bank loans repayable:

Within one year or on demand

26,176 485,544

In the second year

109,521 28,345

In the third to fifth years, inclusive

939,598 246,589

Beyond five years

— 424,787

1,075,295 1,185,265

Notes:

- (a) The bank loans of the Group together with the bank loans of JS Holding are secured by the pledge of 339,272,626 (2018: 320,403,436) shares of Joyoung Co., Ltd. as at December 31, 2019.

(b) Certain of the bank loans are secured by:

(i) The pledge of equity interests in certain subsidiaries of Compass Cayman SPV, Limited (“**Compass**”):

Issuer	Percentage of equity interests
Global Appliance UK HoldCo Limited	100%
Compass Cayman SPV2 Limited	100%
Global Appliance LLC	100%
Euro-Pro Holdco, LLC	100%
EP Midco LLC	100%
SharkNinja Operating LLC	100%
Euro-Pro International Holding Company	65%
SharkNinja Sales Company	100%
SharkNinja Management LLC	100%

(ii) The security interest of certain subsidiaries, including all accounts that certain subsidiaries organized in a U.S. jurisdiction at any time opens or maintains; all chattel paper; all cash and cash equivalents; all documents; all equipment; all general intangibles, including all intellectual property; all instruments; all inventories; all other goods; all investment properties; all letter-of-credit rights; all fixtures; all books and records pertaining to the security interest; and to the extent not otherwise included, all proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any person with respect to any of the foregoing of the subsidiaries in (i). As of December 31, 2019, the bank loans were secured by certain of the Group’s assets amounted to US\$1,416,746,000;

(iii) A subordinated promissory note, made by certain subsidiaries of Compass, in the original/principal amount of US\$50,000,000;

(iv) A global intercompany note made by Compass and certain subsidiaries of Compass; and

(v) A corporate guarantee provided by Compass and certain subsidiaries of Compass.

(c) The bank loans are secured by a pledged deposit of US\$114,913,000 as at December 31, 2019 (2018: nil).

The Group’s unutilized available bank borrowing facilities was US\$141,046,000 (2018: US\$120,000,000) as at December 31, 2019.

16. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTION

Original put option (the “Put Option”)

On September 29, 2017 (the “**Grant Date**”), a subsidiary of the Group, Compass Cayman SPV, Limited (“**Compass**”) entered into a shareholders agreement (the “**Agreement**”) with its non-controlling shareholder, Compass Aggregator, Ltd. (“**Aggregator**”), simultaneously with the entry into the Membership Interest Purchase Agreement in relation to the acquisition of Euro-Pro Holdco, LLC and its subsidiaries (the “**Acquisition**”). Aggregator is controlled by the previous ultimate controller of the Euro-Pro Group. Under the Agreement, Aggregator is entitled to a right (the “**Put Option**”) to require Compass to repurchase all or a portion of Compass’ own shares beneficially owned by Aggregator at an agreed price (the “**Repurchase Price**”) within an agreed period.

Pursuant to the Agreement, from and after the earlier of (i) the third anniversary of the closing date of the Acquisition, and (ii) any time after the board of directors resolves to engage a specific sponsor or underwriter in connection with a proposed initial public offering of the Company (the “**IPO**”) of the shares of Compass (the “**Board IPO Determination Date**”), Aggregator could exercise the Put Option by providing a written notice to Compass (“**exercisable period**”). As at the date on which an IPO is consummated, Aggregator’s right to exercise the Put Option shall automatically expire for all purposes.

If (i) Aggregator has not exercised the Put Option prior to the sixth anniversary of the closing date of the Acquisition, and (ii) no IPO has occurred prior to such date, Compass shall have the option, exercisable upon the provision of a written notice to Aggregator, to require it to sell to Compass all of the shares beneficially owned by Aggregator. As at the date on which an IPO is consummated, Compass' right to exercise the call option shall automatically expire for all purposes.

The Repurchase Price means, percentage interest of Aggregator as at the exercise date, multiplied by an amount equal to (x) on the product of 10 times Compass' forecasted earnings before interest, taxes, depreciation and amortization (the "EBITDA") during a 12-month period prior to the exercise date, less (y) Compass' net indebtedness as at the exercise date. As at December 31, 2017 and 2018, management did not have an estimate of the Board IPO determination date, the starting day of the exercisable period is assumed to be the third anniversary of the closing date of the acquisition, which is September 30, 2020.

If (x) payment of the Repurchase Price on or prior to the four weeks after the date on which the repurchase price is determined in the case of the put or call option (the "Last Date") would cause Compass or any of its subsidiaries to be in breach or default under any indebtedness or other financing arrangement (and such indebtedness or other arrangement could not be refinanced by the Last Date on commercially reasonable terms which would not materially adversely affect Compass) or (y) Compass and its subsidiaries are unable to obtain the cash funds required to pay in full the Repurchase Price by the Last Date, on the Last Date Compass shall deliver to Aggregator a written notice irrevocably offering to both (x) pay a portion of the Repurchase Price, as set forth in such notice, with all the cash funds that Compass and its subsidiaries have at such time that are permitted to be used for such purpose under any indebtedness or other financing arrangements and after taking into account the reasonable anticipated cash needs of Compass as set forth in the budget approved by the board and (y) issue to Aggregator a promissory note of Compass (bearing interest at 3% plus the greater of (x) 3 month LIBOR and (y) 1% with a face value equal to the remainder of the Repurchase Price not payable in cash pursuant to clause (x) above).

The fair value of the Put Option as at September 29, 2017 was US\$32,994,000, which constituted a part of purchase consideration of the Acquisition. The Group recorded goodwill in respect of the Put Option of US\$32,994,000 with a corresponding credit to the put option reserve and non-controlling interests.

Under current IFRSs, when the Put Option is granted, the Group is required to record a financial liability which is to be measured at the present value of the redemption amount. On initial recognition, the corresponding debit is made to the put option reserve which is a component of equity. The financial liability is subsequently measured in accordance with IFRS 9.

The directors have estimated that at the Grant Date, the potential redemption amount would be approximately US\$620,709,000, based on the present value of the Repurchase Price as at September 30, 2020. Accordingly, the Group recorded financial liabilities in respect of the Put Option of US\$620,709,000 as at September 29, 2017 with a corresponding debit to the put option reserve and non-controlling interests.

Accordingly, the Group has recorded expenses of US\$7,123,000 and US\$28,817,000 associated with the Put Option according to the present value of the redemption liability, which are included in other expenses in the consolidated statement of profit or loss for the years ended December 31, 2017 and 2018, respectively. The balance of financial liabilities associated with the Put Option was US\$627,833,000 and US\$656,650,000 as at December 31, 2017 and 2018, respectively.

Replacement of the Put Option (the "Put Right")

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, shareholders of Aggregator ("SN Investor") acquired shares in Compass from Aggregator and exchanged their respective shares in Compass with the Company in consideration for the shares issued by the Company.

The Put Option was terminated upon the completion of the restructuring and replaced by the Put Right. Pursuant to the new shareholders' agreement, if no IPO of the Company has been consummated before or on September 30, 2020 (the "End Date"), from and after the End Date, each SN Investor shall have the option to require Compass to purchase all or a portion of the shares beneficially owned by such SN Investor (the "Put Right") at the applicable put/call price which is substantially the same with the Repurchase Price of the Put Option. If, on or after December 31, 2020, the board of directors has resolved to engage a specific sponsor or underwriter in connection with a proposed IPO after the End Date (the "Board IPO Determination Date"), and any SN Investor has not delivered a written notice within 30 days after the Board IPO Determination Date, such SN Investor's right to exercise the Put Right shall be suspended for all purposes while the Company pursues the proposed IPO; provided that such suspension shall terminate on the earlier of (x) the date on which

the Company is no longer pursuing the proposed IPO, including if the Company provides the SN Investors with a written notice that it is no longer pursuing such IPO, (y) the date on which the Company withdraws any documents that were filed in connection with such IPO without promptly filing replacements thereof, and (z) six (6) months following the Board IPO Determination Date. The board of directors shall immediately provide written notice to the SN Investors of the Board IPO Determination Date upon such determination. As of the date on which an IPO is consummated, each SN Investor's right to exercise the Put Right shall automatically expire for all purposes.

If (i) any SN Investor has not exercised the Put Right prior to September 28, 2023 and (ii) no IPO has occurred prior to such date, the Company shall have the option, exercisable upon the provision of a written notice to such SN Investor to require such SN Investor to sell to Compass all of the share beneficially owned by such SN Investor (the "Call Right") at the applicable put/call price. Notwithstanding the foregoing, if (i) the Call Right is consummated by the Company, (ii) the primary documents that must be filed by the listing vehicle to effect an IPO with the applicable regulatory body are filed within six months of the date on which the Call Right was consummated and (iii) such IPO is ultimately consummated, in addition to the put/call price that has been, or otherwise will be, paid, the Company shall also pay the SN Investor an amount equal to the difference between (if positive) (1) the product of (x) the price per share for the shares sold in the IPO multiplied by (y) 20% of the total number of shares held by the SN Investor immediately prior to the consummation of the Call Right (the "20% Amount") and (2) the portion of the put/call price paid in satisfaction of the Call Right with respect to the 20% Amount (such amount, the "Additional Call Right Payment"). As of the date on which an IPO is consummated, the Company's right to exercise the Call Right shall automatically expire for all purposes.

With the consummation of the IPO of the Company on December 18, 2019, the Put Right and the Call Right automatically expired. Accordingly, the financial liabilities associated with the put option was terminated and balance of US\$685,655,000 was transferred to put option reserve and retained profits. The Group has recorded expenses of US\$29,005,000 associated with the Put Option and Put Right according to the present value of the redemption liability, which is included in other expenses in the consolidated statement of profit or loss for the period from January 1, 2019 to the date immediately before the consummation of the IPO.

17. ISSUED CAPITAL

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Authorized:			
5,000,000,000 (2018: 500,000,000) ordinary shares of US\$0.00001 (2018: US\$0.0001) each	<i>(i)(ii)</i>	<u>50</u>	<u>50</u>
Issued and fully paid:			
3,407,172,677 (2018: 1) ordinary shares of US\$0.00001 (2018: US\$0.0001) each		<u>33</u>	<u>—</u>

A summary of movements in the Company's share capital is as follows:

	<i>Notes</i>	Number of ordinary shares	Nominal value <i>US\$'000</i>
At the date incorporation (July 26, 2018) and December 31, 2018	<i>(i)</i>	1.00	—
Issue of shares prior to the reorganization	<i>(i)</i>	269,074,976.28	27
Shares subdivision	<i>(ii)</i>	2,421,674,795.52	—
Shares repurchased	<i>(ii)</i>	(4.80)	—
Allotment to RSU Plan	<i>(iii)</i>	141,618,409.00	—
Issue of shares under the global offering	<i>(iv)</i>	<u>574,804,500.00</u>	<u>6</u>
At December 31, 2019		<u>3,407,172,677.00</u>	<u>33</u>

- (i) On July 26, 2018, the Company was incorporated in the Cayman Islands as an exempted company with an authorized share capital of US\$50,000 divided into 500,000,000 ordinary shares with par value of US\$0.0001 each. On July 26, 2018, the Company issued one ordinary share with a par value of US\$0.0001 to Mapcal Limited as the initial subscriber. On the same day, the one issued share was transferred to JS Holding;

On April 10, 2019, the Company issued 99,613,965.34 ordinary shares with a par value of US\$0.0001 to JS Holding in exchange for US\$9,961.40;

On April 16, 2019, the Company issued 36,830,424.53 ordinary shares with a par value of US\$0.0001 to Mr. Lee Puay Khng in exchange for his 100% equity interests in Bilting;

On June 19, 2019, the Company issued 60,743,866.83 ordinary shares with a par value of US\$0.0001 to JS Holding as part of the Reorganization;

On June 24, 2019, the Company issued 29,600,413.96 ordinary shares with a par value of US\$0.0001 to Easy Home Limited in exchange for its 30% equity interests in Global Appliance 1 Limited;

On June 24, 2019, the Company issued 6,555,616.63 ordinary shares with a par value of US\$0.0001 to Comfort Home Limited, and as the consideration, Comfort Home Limited transferred 2,325.44 ordinary shares of Compass it held to the Company;

On June 24, 2019, the Company issued an aggregate of 35,730,688.99 ordinary shares with a par value of US\$0.0001 to a group of investors comprising BMS Ventures LLC, Casa Brima LLC, Barrocas Family 2017 Children's Trust, SMCSB 2018 Trust, PR2 LLC, and SN Aggregator LLC (collectively as the "**SN Investors**"), and as the consideration, SN Investors transferred their respective equity interests in Compass to the Company.

- (ii) On October 9, 2019, the shareholders of the Company resolved that each issued and unissued ordinary share of then par value of US\$0.0001 each will be subdivided into 10 shares of par value of US\$0.00001 each. Upon the subdivision, the authorized share capital of the Company shall be US\$50,000 divided into 5,000,000,000 shares of a par value of US\$0.00001 each. And 269,074,977.28 ordinary shares shall be subdivided into 2,690,749,772.80 ordinary shares. Immediately after the subdivision, on October 9, 2019, the Company repurchased a total of 4.8 ordinary shares from shareholders of the Company and canceled such 4.8 ordinary shares for the purpose of eliminating fractional shares.
- (iii) On October 9, 2019, the Company adopted a restricted stock units plan (the "**RSU Plan**"). On October 25, 2019, the Company issued and allotted 141,618,409 ordinary shares with no par value to Golden Tide International Limited and Grand Riches Ventures Limited pursuant to the RSU Plan.
- (iv) The final number of issued shares under the global offering comprised 49,983,000 ordinary shares in the Hong Kong public offering, 449,847,000 ordinary shares (before any exercise of the over-allotment option) and 74,974,500 ordinary shares (fully exercise of the over-allotment option) in the international public offering.

In December 2019, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 574,804,500 ordinary shares at par value of US\$0.00001 per share for cash consideration of HK\$5.20 each, and raised gross proceeds of approximately US\$386,864,000. The respective issued capital amount was approximately US\$6,000 and share premium arising from the issuance was approximately US\$374,572,000 after deducting incremental costs of approximately US\$12,286,000 that are directly attributable to the issue of the new shares.

18. EVENTS AFTER THE REPORTING PERIOD

- (i) Since the outbreak of novel coronavirus (“**COVID-19**”) in early 2020, factories in China were temporarily closed for a certain period following the end of the Chinese New Year holidays on February 10, 2020. Since all suppliers are located outside the Hubei province of China where the COVID-19 outbreak has been the most severe, production in China has since begun a slow return toward normal levels. As far as the international markets excluding China are concerned, the Group estimates the disruption to its supply chain was 4 to 6 weeks on average. For businesses in North America and Europe, the Group typically carries about two months’ worth of inventory in warehouses which has helped to minimize the supply impact that the COVID-19 outbreak has caused except for certain products that launched in 2019 and outperformed expectations which left lower than average inventory levels on those products at the start of 2020. As a result, the Group has not been able to fully meet the demand for those products.

For the Joyoung’s business within China, the COVID-19 outbreak has impacted its business in the first quarter of 2020. In particular, offline sales has suffered considerably, and to some extent, online sales was also affected due to logistic issues. Yet, because of the inventory the Group has stocked up for Chinese New Year, inventory level is still sufficient and positively helps the sales on domestic e-commerce platforms. Overall, domestic sales in China in the first quarter will be lower than expected, and it will gradually recover in the second quarter.

With the continued spread of COVID-19 to Europe and North America, the Group is closely monitoring the end-consumer demand in those markets. Consumers are staying home, and retailers have announced the closure of offline stores. In addition, logistics may be impacted including the ability of the Group’s distribution centers to operate. As a result, the Group is starting to see more of a shift to online sales channels.

Given the inherent uncertainty about the future impacts of COVID-19, it is not possible to reliably predict the impact on its results of the year. The Group does expect there to be a negative impact on the results of operations in 2020. However, the Group believes many of product lines including those within cooking appliances category are well positioned in light of consumers likely desire to cook at home rather than eat at restaurants. In addition, strong sales at the end of 2019 led to high demand from retailers in North America and Europe at the beginning of 2020 which will also help to mitigate the impact of COVID-19 on the first half results. The Group will monitor the situation and update the shareholders and potential investors as and when appropriate.

- (ii) On January 6, 2020, SharkNinja Venus Technology Company Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with all the shareholders of Qfeeltech (Beijing) Co., Ltd. (the “**Vendors**”), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the 100% equity interest in Qfeeltech (Beijing) Co., Ltd. at a cash consideration of not more than RMB210 million (the “**Acquisition**”). The Acquisition will be completed in several steps and the completion is expected to take place in 2023.
- (iii) On March 17, 2020, Global Appliance LLC, an indirect wholly-owned subsidiary of the Company, and the Company as borrowers, entered into a facilities agreement with a bank as arranger and agent, for loan facilities in the aggregate amount of US\$1,200 million (the “**Facilities**”). The final maturity date of the Facilities shall be the date falling 60 months after the date of initial utilization.

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

BUSINESS OVERVIEW

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

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

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

We offered our transformational innovative small household appliances under the brand name of Joyoung prior to the acquisition of SharkNinja in September 2017 and have expanded our business significantly since then, operating two business segments during the Reporting Period:

- the SharkNinja segment focuses on home environment appliances and kitchen appliances which are sold in North America, Europe, Japan and various other countries throughout the world. The Shark and Ninja brands maintain leading market share in a number of product categories and in a number of countries through an intense focus on quality, reliability, consumer satisfaction and accessible innovation to consumers.
- the Joyoung segment continues offering small household appliances, focusing on kitchen appliances. In China, our Joyoung brand maintains the largest market share in several innovative product categories.

INDUSTRY OVERVIEW

The global small household appliance market, which can be classified into four categories (i.e., food preparation appliances, cooking appliances, home environment appliances including cleaning appliances and personal care appliances), has witnessed tremendous growth in recent years, fueled by elevated household income and wealth, strong consumer aspiration for a quality lifestyle, and technology-driven product innovations.

This trend has shaped a new consumption behavior — New retail, which refers to the emerging consumer-centric retail business model to gradually eliminate the boundary between offline and online channels, allowing consumers to have convenient, smooth and personalized shopping experience across multiple channels with the same level of ease, access to inventory and services along with the rapid evolving of e-commerce business and comeback of traditional retail channel. Although online sales penetration has witnessed rapid growth globally, the brick-and-mortar retail still has significant impact on multiple industries in respect to brand marketing, customer approaching and distribution network.

With the improvement of consumers' consumption level, standardized products can no longer fulfill personalized needs of consumers. Diversification of categories and products upgrading are becoming new trends in the market. Products are expected to be well-designed and customized to satisfy specific needs of customers. In this case, the amount of customer-centric data being collected and the ability to analyze it and provide more targeted propositions and better understanding the shift of consumer behaviors are key trends reshaping the future of global retail market. Diversified products with integration of aesthetics and functionality are increasingly favored by the market and will also continuously create competitive advantages for brands through forming unique brand symbols, which will ultimately stimulate demands.

U.S.

In the U.S., frequent product upgrades in terms of technology, functionality, features and design are the main drivers for the increasing demand for product replacements, which provide new growth opportunities in the U.S. small household appliance market.

The development of online sales channels has boosted retail sales of small household appliances in the U.S. over the past years. Attributed to the increasing internet penetration and the adoption of mobile devices such as smartphones and tablets, consumers now rely more on digital channels to compare and purchase products. Small household appliances are popular online among consumers because of high product standardization and low average selling price. Most of the leading U.S. retailers have begun operating their online platforms/websites to capture such growth. Companies are expected to further develop omni-channels to create seamless customer experiences in the future.

China

Given the vast potential in respect of population and economic growth, Asia-Pacific is set to become the backbone of the world's economy as well as a strong driving force for global retail market. The continuous growth in expenditure will result in growing consumer markets, especially given China's reorientation toward domestic consumptions. The stable and gradual high-quality economic growth in China led to more and more obvious consumption upgrading phenomenon. Paying for interests and enjoyment of life is no longer only the privilege of small consumer segments.

The increase of household disposable income and rising living standards in China are expected to continue to drive the demand for small household appliances as consumers are more motivated to pursue a quality lifestyle with more comforts, greater convenience and healthier options. On the supply side, with smaller number of product categories in China compared to developed markets and the relative ease to launch new products in the small household appliance market, leading industry players will continue to drive category expansion, stimulating further demand for small household appliances.

U.K.

Similar to the U.S. small household appliance market, the U.K. market sees noticeable trends including the growth of online channels, the increased use of social media, the shift toward premium and high value-added products, the increased demand for high esthetic appearance and the rise of Internet of Things technology.

Because online sales channels reduce the costs of maintaining warehouses and means of transportation, the development of third-party logistics and e-commerce infrastructure is now a key driver in online sales for small household appliance-focused companies to scale up business.

Moreover, by selecting appropriate social influencers based on the characteristics of the fan base and the audience that the influencers can reach, small household appliance companies are able to reach target consumers more efficiently, effectively and inexpensively, compared to the costs of promotions conducted by celebrities. Finally, the increases in disposable income levels and the continuous improvements in product quality and designs lead to an increase in consumer demand for premium and high value-added appliances.

In view of the industry trend in China, the U.S. and the U.K., we have adopted a diverse portfolio of innovative products which allows us to maintain sustainable growth, create new product categories, grow our market share, lead the consumption upgrade and position the Group at the forefront of future trends for smart home products.

Also, the Group continues to secure a leading position in the U.S. and China, the two largest global small household appliance markets, and has established differentiated channel strategies and a robust omni-channel sales, marketing and distribution network that are tailored to the respective local markets. The Group's global expansion has also extended its footprint to other international markets including Canada, the UK, France, Germany, Japan, and Australia.

FINANCIAL REVIEW

Overall performance

During the year ended December 31, 2019, the total revenue of the Group was US\$3,016.1 million, representing a year-on-year increase of 12.5%. Gross profit was US\$1,126.5 million, a year-on-year increase of 12.8%. Gross profit margin was 37.4%, remaining relatively consistent compared to 37.3% in 2018. Profit for the year ended December 31, 2019 decreased by 24.0% year-on-year to approximately US\$85.2 million. EBITDA¹ for the year ended December 31, 2019 decreased by 4.6% year-on-year to approximately US\$290.0 million and Adjusted EBITDA² for the year ended December 31, 2019 increased by 17.7% year-on-year to approximately US\$367.4 million. Adjusted Profit³ for the year ended December 31, 2019 increased by 29.6% year-on-year to approximately US\$195.8 million. Profit attributable to owners of the parent increased by approximately 20.8% year-on-year to approximately US\$42.1 million. The Board resolved to declare a special dividend of US\$7.34 cent (equivalent to approximately HK\$0.5717) per share.

Revenue

For the year ended December 31, 2019, the Group recorded a total revenue of US\$3,016.1 million (2018: US\$2,681.9 million), representing a year-on-year increase of 12.5%.

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

	For the year ended December 31,			
	2019		2018	
	Amount	%	Amount	%
	<i>(in US\$ millions, except percentages)</i>			
Joyoung segment	1,280.0	42.4	1,179.0	44.0
SharkNinja segment	1,736.1	57.6	1,477.4	55.1
Other segment	—	—	25.5	0.9
Total	3,016.1	100.0	2,681.9	100.0

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

2 For a reconciliation of EBITDA for the year ended December 31, 2019 to adjusted EBITDA as defined, see “— Non-IFRS Measures” below.

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

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

The other segment represented the Jiuyang Bean business unit, which primarily sold soymilk powder and commercial soymilk makers. In August 2018, the Group entered into a share transfer agreement to dispose of a majority of its equity interest in Jiuyang Bean to a related party, ceased to consolidate it as a subsidiary and no longer have the other segment since then.

Revenue from the SharkNinja segment was US\$1,736.1 million (2018: US\$1,477.4 million), up by 17.5% year-on-year, accounting for 57.6% of the total revenue of the Group; revenue from the Joyoung segment was US\$1,280.0 million (2018: US\$1,179.0 million), up by 8.6% year-on-year, accounting for approximately 42.4% of the total revenue of the Group.

The revenue growth contributed from the SharkNinja segment was primarily a result of increased sales in North America within the cooking appliances category and strong growth within our European and Japanese businesses. The growth in the cooking appliances category was due to the tremendous success of the Foodi series of products which were launched in 2018 and greeted with great demand from the retail partners and consumers. Sales growth in Europe and Japan came predominantly from the cleaning appliances category including corded and cordless vacuums in the United Kingdom, and cordless vacuums in Japan.

In 2019, the increase in revenue of the Joyoung segment was mainly attributable to our user centric and demand oriented strategy, introducing a series of innovative as well as adorable and stylish products targeting young people to the market, for instance, gradually positioning the price range of our core product SKY at a level generally accepted by the extensive consumer groups. In addition, it grasped the opportunities from the growing trend of online live streaming in the PRC market, and actively explored marketing channels such as new retail. Meanwhile, with gradual synergy effects realized between Joyoung and SharkNinja, Joyoung drove growth through increased sales in cleaning appliances.

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

	For the year ended December 31, 2019		2018	
	Amount	%	Amount	%
	<i>(in US\$ millions, except percentages) (Unaudited)</i>			
Shark	1,144.1	37.9	1,092.4	40.7
Ninja	606.7	20.1	388.1	14.5
Joyoung	1,265.3	42.0	1,201.4	44.8
Total	3,016.1	100.0	2,681.9	100.0

For the year ended December 31, 2019, the revenue contributed by the Shark brand was US\$1,144.1 million (2018: US\$1,092.4 million), representing a year-on-year increase of approximately 4.7%. The increase was primarily attributable to an increase in sales of cleaning appliances in North America, Europe and other international markets totaling US\$34.2 million plus sales of the Shark brand in China which increased from US\$2.9 million in 2018 to US\$14.6 million in 2019. These increases were partially offset by decreases in the garment care products in North America as we have chosen to invest in product categories with higher selling points and higher gross margins.

For the year ended December 31, 2019, the revenue contributed by the Ninja brand was US\$606.7 million (2018: US\$388.1 million), representing a year-on-year increase of approximately 56.3%. The increase in the Ninja brand's sales were driven by an increase in cooking appliances, partially offset by a decrease in sales of food preparation appliances. The increase in sales of cooking appliances was a result of the tremendous success of our Foodi series of products since we launched the original Foodi Pressure Cooker, which combines pressure cooking and air frying in one multifunctional cooker, and an air fryer in the second half of 2018. 2019 was the first full year of sales for those products. In addition, in 2019, we launched the Ninja Foodi 5-in-1 Indoor Grill and the Ninja Foodi Digital Air Fry Oven which were also greeted with great demand from our retail partners and consumers in both North America and the United Kingdom.

For the year ended December 31, 2019, the revenue contributed by the Joyoung brand was US\$1,265.3 million (2018: US\$1,201.4 million), representing a year-on-year increase of approximately 5.3%. The increase was primarily attributable to the increasing demand and standard of cooking appliances because of the rising health awareness by people, especially the products in relation to healthy cooking; and also the introduction of new SKY series and stylish products which are popular among the young consumers, such as uncoated steam rice cookers, K-series auto-clean soymilk maker and Y-series auto-clean high-performance multi-functional blender. Due to the trade war between the United States and China, the depreciation of RMB has reduced the nominal amount of sales growth in US\$. The average exchange rate used to translate the Joyoung segment's revenue was RMB6.9014 to US\$1.00 in 2019, and RMB6.6192 to US\$1.00 in 2018, representing a decrease of approximately 4.1%. The Joyoung segment's revenue growth would have been higher if reported in RMB.

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

	For the year ended December 31,			
	2019		2018	
	Amount	%	Amount	%
	<i>(in US\$ millions, except percentages)</i>			
China	1,270.4	42.1	1,189.7	44.4
North America	1,457.8	48.3	1,310.5	48.9
Europe	221.7	7.4	132.1	4.9
Other markets	66.2	2.2	49.6	1.8
Total	<u>3,016.1</u>	<u>100.0</u>	<u>2,681.9</u>	<u>100.0</u>

Growth of China sales in 2019 was primarily attributable to our commitment to strategies such as high value and value-based marketing in view of the complicated and ever-changing market environment. We launched a new series of products to meet the demands of consumers with different social status, and proactively explored emerging sales and communication channels including new retail and online live streaming, which were well recognized by consumers and received positive market feedback.

Growth of North American sales in 2019 was generated primarily through our Ninja Foodi series of cooking appliances, which launched in 2018. 2019 was the first full year of sales for the Foodi lineup of products, to which we added several additional new products in 2019.

Revenue growth in Europe came primarily in the United Kingdom in 2019. Sales growth in the United Kingdom came primarily from cordless and corded vacuum cleaners. We have successfully secured additional product placements at key retailers in the United Kingdom as the strength of our brands and reputation for our products continues to grow in that market. We have also grown our direct to consumer sales through the use of digital advertising. In addition, we launched the Ninja Foodi series of products in the United Kingdom during 2019 which also contributed to the growth in that market.

Sales growth in other markets came primarily in Japan in 2019, where we launched our business in 2018. We had previously relied on distributors in Japan, but in 2018 we hired our own sales and marketing team and set up an operations infrastructure. Sales in Japan have come mainly from cordless stick vacuums and cordless handheld vacuums to date.

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

	For the year ended December 31,			
	2019		2018	
	Amount	%	Amount	%
	<i>(in US\$ millions, except percentages) (Unaudited)</i>			
Cleaning appliances	1,130.3	37.5	1,070.1	39.9
Food preparation appliances	810.1	26.9	785.0	29.3
Cooking appliances	930.0	30.8	677.0	25.2
Others	145.7	4.8	149.8	5.6
Total	3,016.1	100.0	2,681.9	100.0

Cleaning appliances include upright vacuums, steam mop, robotic vacuums, cordless and corded stick vacuums and other floor care products. Food preparation appliances include high-performance multifunctional blenders, soymilk makers, food processors and other small household appliances that facilitate the food preparation process. Cooking appliances include rice cookers, pressure cookers, induction cookers, air fryers, counter top grills, counter top ovens, coffee and tea makers and other appliances for cooking. Others product category includes small household appliances ranging from water purifiers, ventilators and water heaters to garment care and thermos.

Revenue from sales of cleaning appliances increased by 5.6% in 2019 primarily due to significant sales growth in Europe in addition to sales in Japan where we launched our business in 2018. Such increases were partially offset by decreases in sales of our cordless vacuums in North America which were primarily due to relatively slower sales of older generation products. We have launched new series of both cordless vacuums and advanced navigation robotic vacuums which contributed to growth in the second half of 2019. We are also investing in additional cordless and robotic vacuums for launch in 2020. In addition, sales of cleaning appliances within China increased from US\$2.9 million to US\$14.6 million in 2019.

Sales of cooking appliances increased by 37.4% in 2019 as a result of the strong reception that our Foodi series of products have received since being launched in North America in 2018 and the United Kingdom in 2019. Cooking appliance sales within the SharkNinja segment have increased by US\$239.7 million, or 219.5%, in 2019 as compared to 2018. Within the Joyoung business, sales of cooking appliances have increased by US\$13.3 million, mainly driven by the increased sales of electrical cookers, air fryers and other products.

Revenue from sales of food preparation appliances increased by 3.2% in 2019 due to increased sales of high-performance multifunctional blenders within the Joyoung segment.

Cost of sales

In 2019, the cost of sales of the Group was approximately US\$1,889.6 million (2018: US\$1,682.9 million), representing a year-on-year increase of approximately 12.3%. The increase was primarily attributable to the increase in revenue.

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

	For the year ended December 31, 2019		2018	
	Amount	%	Amount	%
Joyoung segment	854.0	45.2	797.9	47.4
SharkNinja segment	1,035.6	54.8	868.1	51.6
Other segment	—	—	16.9	1.0
Total	1,889.6	100.0	1,682.9	100.0

For the year ended December 31, 2019, the Joyoung segment recorded a total cost of sales of approximately US\$854.0 million (2018: US\$797.9 million), representing a year-on-year increase of approximately 7.0%. The increase was primarily attributable to an increase in revenue during the year.

For the year ended December 31, 2019, the SharkNinja segment recorded a total cost of sales of approximately US\$1,035.6 million (2018: US\$868.1 million), representing a year-on-year increase of approximately 19.3%. The increase was the result of increased sales. In addition, as a result of the trade war between the United States and China and the increase in tariffs on goods made in China imported into the United States, the amount of tariff expense recognized in 2019 increased by US\$56.5 million to US\$75.8 million as compared to US\$19.3 million in 2018. The additional tariffs were offset by negotiating lower costs with suppliers, particularly in light of a devalued RMB, and by raising prices where competitively feasible. As a result, tariffs became a more significant portion of the cost of sales in 2019 relative to the actual cost of the product. With respect to the increased tariffs, we first saw a 10% tariff implemented on vacuums and air fryers imported into the United States from China starting on September 24, 2018. That tariff was increased to 25% on June 1, 2019 and a 15% tariff was implemented on coffee makers imported from China to the United States on October 1, 2019. On November 29, 2019 the Office of the United States Trade Representative announced certain exclusions from these new tariffs, including vacuum cleaners, bagless, upright, each with self-contained electric motor of a power not exceeding 1,500 W and having a dust receptacle capacity not exceeding 1 liter. We believe this exclusion applies to a number of our vacuum cleaner products and, accordingly, we have applied for refunds for tariffs paid back to September 24, 2018, of which US\$13 million was recognized in 2019.

Gross profit

In 2019, the gross profit of the Group was approximately US\$1,126.5 million (2018: US\$999.0 million), representing a year-on-year increase of approximately 12.8%. The increase was primarily attributable to the increase in revenue.

Gross profit margin in 2019 remained stable, at 37.4%, compared to 37.3% in 2018.

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

	For the year ended December 31,			
	2019		2018	
	Gross Profit	Gross Margin %	Gross Profit	Gross Margin %
	<i>(in US\$ millions, except percentages)</i>			
Joyoung segment	426.0	33.3	381.1	32.3
SharkNinja segment	700.5	40.3	609.3	41.2
Other segment	—	—	8.6	33.9
Total	1,126.5	37.4	999.0	37.3

For the year ended December 31, 2019, Joyoung segment recorded a gross profit of approximately US\$426.0 million (2018: US\$381.1 million), representing a year-on-year increase of approximately 11.8%. The gross profit margin increased 1.0% in 2019. The increase of gross profit and gross profit margin were primarily due to Joyoung's adjustment of its product portfolio through enhanced R&D efforts on innovative products with profound insights, and as a result, sales of its high-margin products increased during the year.

For the year ended December 31, 2019, SharkNinja segment recorded a gross profit of approximately US\$700.5 million (2018: US\$609.3 million), representing a year-on-year increase of approximately 15.0%. The gross margin percentage decreased 0.9% in 2019 as a result of higher sales of lower gross margin products including cooking appliances and robotic vacuums which are both relatively new product lines that do not have the full benefit of cost optimizations that the more mature product categories have, in addition to increased tariffs recognized in the cost of sales. As a result of increased tariffs, SharkNinja increased the selling prices on a number of products, replaced older products with new products that commanded a higher gross margin and leveraged the devaluation of the RMB to negotiate lower product costs from the suppliers in China.

Other income and gains

Other income and gains of the Group primarily include (i) gain on financial assets at their fair value, (ii) government grants (mainly relating to research activities, innovation and patents); and (iii) bank interest income.

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

	For the year ended	
	2019	2018
	December 31,	
	(in US\$ millions)	
Other income		
Bank interest income	5.9	2.2
Rental income	1.8	1.0
Government grants	8.1	10.3
Others	1.3	1.0
	<u>17.1</u>	<u>14.5</u>
Subtotal	<u>17.1</u>	<u>14.5</u>
Gains		
Gain on disposal of items of property, plant and equipment	0.1	16.3
Gain on disposal of investment properties	—	1.9
Gain on financial assets at fair value through profit or loss, net	8.1	0.7
Gain on disposal of subsidiaries	—	9.8
Others	3.3	1.3
	<u>11.5</u>	<u>30.0</u>
Subtotal	<u>11.5</u>	<u>30.0</u>

In 2019, other income and gains of the Group was approximately US\$28.6 million (2018: US\$44.5 million), representing a year-on-year decrease of approximately 35.7%. The decrease was primarily attributable to the recognition of a gain on disposal of items of property, plant and equipment in 2018, whereas in 2019, there was no material disposal of property, plant and equipment.

Selling and distribution expenses

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

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

	For the year ended	
	December 31,	
	2019	2018
	<i>(in US\$ millions, except percentages) (Unaudited)</i>	
Advertising expenses	188.8	207.5
Warehousing and transportation expenses	95.7	75.4
Trade marketing expenses	75.3	65.1
Staff cost	81.8	72.9
Business development expenses	28.0	25.5
Office expenses and others	37.2	31.2
	<hr/>	<hr/>
Total	<u>506.8</u>	<u>477.6</u>

The Group's selling and distribution expenses increased by approximately 6.1% year-on-year from approximately US\$477.6 million in 2018 to approximately US\$506.8 million in 2019. Within selling and distribution expenses, advertising expenses decreased as a result of reduced television advertising by the Joyoung segment. The increase in warehousing and transportation expenses was driven by increased sales, higher inventory balances throughout most of 2019 as compared to 2018, growth in the Group's direct to consumer sales which require a higher cost as a percentage of sales to handle and ship and a reduction in the amount of direct import sales, whereby retailers take title to inventory at the port in China rather than its warehouse, due to tariffs. The increase in trade marketing expenses, staff costs, business development expenses and office expenses and others are a result of the increase in sales.

Administrative expenses

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

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

	For the year ended	
	December 31,	
	2019	2018
	<i>(in US\$ millions) (Unaudited)</i>	
Staff cost	212.1	157.2
Professional service fee	45.7	38.7
Depreciation and amortization	50.7	44.8
Office expenses	24.1	25.5
Other ⁴	61.6	51.4
Listing expense	21.4	—
	<hr/>	<hr/>
Total	415.6	317.6
	<hr/> <hr/>	<hr/> <hr/>

The Group’s administrative expenses increased by approximately 30.9% year-on-year from approximately US\$317.6 million in 2018 to approximately US\$415.6 million in 2019. The increase was primarily attributable to the expenses incurred in relation to the initial public offering (the “**Global Offering**”) in 2019 of approximately US\$21.4 million, and the increase in staff costs as a result of salary increases in 2019 as well as continued investment in R&D staff to support new products and technologies development. The increase in depreciation and amortization is primarily a function of additional computer equipment and office equipment needed to support higher levels of headcount.

Finance costs

Finance costs primarily represent (i) interest expenses on bank loans; (ii) interest expenses on lease liabilities in relation to the lease agreements; (iii) amortization of deferred finance costs, representing amortization of various fees associated with the bank loans, such as upfront arrangement fees and professional parties fees; and (iv) other finance costs.

⁴ Other expenses primarily include bank transaction fees, prototype expenses, patent fee and traveling expenses.

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

	For the year ended	
	December 31,	
	2019	2018
	<i>(in US\$ millions)</i>	
Interest on bank loans	62.2	61.8
Interest on lease liabilities	3.0	3.0
Amortization of deferred finance costs	13.6	9.5
Other finance costs ⁵	4.9	4.0
	<hr/>	<hr/>
Total	83.7	78.3
	<hr/> <hr/>	<hr/> <hr/>

Finance costs of the Group increased by approximately 6.9% year-on-year from approximately US\$78.3 million in 2018 to approximately US\$83.7 million in 2019. The increase was primarily attributable to the increase of amortization of deferred finance costs from the restructuring of new loans.

Income tax

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which its entities are domiciled and operate. Subsidiaries located in mainland China were mainly subject to PRC corporate income tax at a rate of 25% on the assessable profits generated during 2019. The Group's subsidiary, Hangzhou Joyoung Household Electric Appliances Limited, currently qualified as a high and new technology enterprise under the PRC income tax law, was entitled to preferential corporate income tax rate during 2019.

During 2019, the Group's U.S. subsidiaries were subject to U.S. federal income tax at the rate of 21%, and to various US state income taxes at rates ranging from 0.38% to 11.5%.

Income tax expense of the Group increased by approximately 19.4% year-on-year from approximately US\$28.3 million in 2018 to approximately US\$33.8 million in 2019. The increase was primarily attributable to the increase of income tax expenses in the Group's U.S. subsidiaries.

Net profit

As a result of the foregoing reasons, net profit for the Group for the year ended December 31, 2019 decreased by approximately 24.0% from approximately US\$112.1 million in 2018 to approximately US\$85.2 million in 2019.

⁵ Other finance costs primarily include transaction fees for bill discounting.

NON-IFRS MEASURES

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

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

	For the year ended	
	December 31,	
	2019	2018
	<i>(in US\$ millions) (unaudited)</i>	
Profit for the year	85.2	112.1
<i>Add:</i>		
<i>Items arising from acquisition and relating to the</i>		
<i>Reorganization</i>	63.8	60.7
Changes in carrying amount of financial liabilities associated with the put option	29.0	28.8
Amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja	27.0	30.9
Reorganization-related expenses including deferred financing cost	7.8	1.0
<i>Non-recurring items and items not related to the Company's ordinary course of business</i>	46.8	(21.7)
Stock-based compensation	30.3	5.1
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(0.1)	(27.9)
Gain on fair value change from equity investments	(4.8)	1.1
Listing expenses	21.4	—
	<hr/>	<hr/>
Adjusted net profit	195.8	151.1
	<hr/> <hr/>	<hr/> <hr/>
<i>Attributable to:</i>		
Owners of the parent	136.2	59.8
Non-controlling interests	59.6	91.3
	<hr/>	<hr/>
	195.8	151.1
	<hr/> <hr/>	<hr/> <hr/>

For the year ended
December 31,
2019 **2018**
(in US\$ millions) (unaudited)

Profit before tax	119.0	140.4
<i>Add:</i>		
Finance cost	83.7	78.3
Depreciation	55.0	51.9
Amortization	38.2	35.6
Bank interest income	(5.9)	(2.2)
	<hr/>	<hr/>
EBITDA	290.0	304.0
	<hr/>	<hr/>
<i>Add:</i>		
<i>Items arising from acquisition and relating to the Reorganization</i>	30.6	29.8
Changes in carrying amount of financial liabilities associated with the put option	29.0	28.8
Reorganization-related expenses	1.6	1.0
<i>Non-recurring items and items not related to the Company's ordinary course of business</i>	46.8	(21.7)
Stock-based compensation	30.3	5.1
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(0.1)	(27.9)
Gain on fair value change from equity investments	(4.8)	1.1
Listing expenses	21.4	—
	<hr/>	<hr/>
Adjusted EBITDA	367.4	312.1
	<hr/> <hr/>	<hr/> <hr/>

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

Liquidity and financial resources

During the year ended December 31, 2019, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from (i) capital contributions by the shareholders of the Company (the “Shareholders”) and third-party investors; (ii) bank borrowings; (iii) proceeds from Global Offering; and (iv) cash generated from operations.

As of December 31, 2019, the Group had cash and cash equivalents of approximately US\$421.3 million as compared to US\$180.9 million as of December 31, 2018, as a result of the proceeds from the Global Offering. The cash and cash equivalents of the Group are mainly denominated in HK\$, RMB and US\$.

As of December 31, 2019, the Group’s total borrowings amounted to approximately US\$1,075.3 million, representing a decrease of approximately 9.3% compared to approximately US\$1,185.3 million as of December 31, 2018. As at December 31, 2019, 10.6% and 89.4% of the Group’s borrowings were denominated in RMB and US\$, respectively, and the majority of the borrowings were based on floating interest rates.

The following table sets forth a breakdown of the bank borrowings of the Group as of December 31, 2019.

	As of December 31, 2019 <i>(in US\$ millions)</i>
Interest-bearing bank borrowings (current portion)	26.2
Interest-bearing bank borrowings (non-current portion)	1,049.1
Total	1,075.3

The table below sets forth the aging analysis of the repayment terms of interest-bearing borrowings as of December 31, 2019.

	As of December 31, 2019 <i>(in US\$ millions)</i>
Repayable within one year	26.2
Repayable within one year to two years	109.5
Repayable within two to five years	939.6
Total	1,075.3

As of December 31, 2019, the Group had total bank facilities of approximately US\$1,216.3 million (2018: approximately US\$1,305.3 million), of which bank facilities of approximately US\$141.0 million were unutilized (2018: approximately US\$120.0 million).

Gearing ratio

As of December 31, 2019, the Group's gearing ratio (calculated as the total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity) was 74.2%, representing a decrease of 195.5 percentage points as compared with 269.7% as of December 31, 2018. The decrease was primarily attributable to the decrease in financial liabilities associated with put option and the decrease in deficit of put option reserve, which arose from the termination of put option upon the consummation of the IPO.

For further information on put option, see Note 16 to the consolidated financial information.

Foreign exchange risk

The Group's currency exposures arise from sales or purchases by business units in currencies other than their respective functional currencies. Approximately 1.5% of the Group's sales in 2019 were denominated in currencies other than the functional currencies of the business units making the sales.

As of December 31, 2019, the Group had not entered into any hedging transactions. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

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

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

Charge on assets

As of December 31, 2019, certain assets of the Group's subsidiaries and certain deposits had been pledged to secure the Group's borrowings of a total amount of US\$1,075 million and total pledged assets accounted for approximately 40.6% of the total assets of the Group. As of December 31, 2019, the equity interest of certain of the Group's subsidiaries had been pledged to secure the Group's borrowings.

Capital expenditures

The capital expenditures of the Group primary consist of additions to property, plant and equipment, investment properties, prepaid land lease payments, right-of-use assets and other intangible assets. For the year ended December 31, 2019, capital expenditures of the Group amounted to approximately US\$95.4 million (2018: US\$97.7 million).

Contingent liabilities

As of December 31, 2019, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

Impact of COVID-19

The novel coronavirus (“**COVID-19**”) outbreak has caused a global health emergency that is impacting our business in a number of ways. The health and safety of our employees and their families, suppliers and other business partners and customers has been our top priority throughout this pandemic so we have proactively implemented preventative health measures.

The extent and duration of the COVID-19 outbreak is uncertain at this time and its full impact is not yet known.

Factories in China were temporarily closed for a certain period following the end of the Chinese New Year holidays on February 10, 2020. Luckily, all of our suppliers are located outside the Hubei province of China, where the COVID-19 outbreak has been the most severe, and production in China has since begun a slow return toward normal levels. As far as the international markets excluding China are concerned, we estimate the disruption to our supply chain was 4 to 6 weeks on average. For our businesses in North America and Europe, we typically carry about two months’ worth of inventory in our warehouses which has helped to minimize the supply impact that the COVID-19 outbreak has caused except for certain products that launched in 2019 and outperformed our expectations which left us with lower than average inventory levels on those products at the start of 2020. As a result, we have not been able to fully meet the demand for those products.

For Joyoung’s business within China, the COVID-19 outbreak has impacted its business in the first quarter of 2020. In particular, offline sales has suffered considerably, and to some extent, online sales was also affected due to logistic issues. Yet, because of the inventory we have stocked up for Chinese New Year, our inventory level is still sufficient and positively helps the, which was sales on domestic e-commerce platforms. Overall, domestic sales in China in the first quarter will be lower than expected, and hopefully, it will gradually recover in the second quarter.

With the continued spread of COVID-19 to Europe and North America, we are closely monitoring the end-consumer demand in those markets. Consumers are staying home, and retailers have announced the closure of offline stores. In addition, logistics may be impacted including the ability of the Group’s distribution centers to operate. As a result, we are starting to see more of a shift to online sales channels.

Given the inherent uncertainty about the future impacts of COVID-19, it is not possible for us to reliably predict the impact on our results for the balance of the year. We do expect there to be a negative impact on the results of operations in 2020. However, we believe many of our product lines including those within our cooking appliances category are well positioned in light of consumers’ likely desire to cook at home rather than eat at restaurants. In addition, strong sales at the end of 2019 led to high demand from retailers in North America and Europe at the beginning of 2020 which will also help to mitigate the impact of COVID-19 on our first half results. We will monitor the situation and update Shareholders and potential investors as and when appropriate.

Growth Strategies

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

- Develop and commercialize innovative products, combining powerful technology and appealing designs;
- Drive sustainable long-term growth through sales network and product category expansion;
- Maximize synergies between Joyoung segment and SharkNinja segment;
- Strengthen the Group's brand recognition and enhance consumer engagement; and
- Pursue strategic partnerships and acquisitions.

With respect to growth through our sales network, we focused on expanding internationally including further growth within the United Kingdom and Japan, as well as the launch of the SharkNinja segment into Germany and France where we have begun to hire local sales teams and work with major retailers in those countries to have the products placed.

With regards to product innovation, we continually seek to expand the product portfolio within the categories that we are already in. In particular in 2020, we are working to further expand the Foodie series of products, in addition to the robotic vacuum product line. The robotic vacuums launched in 2019 included advanced features such as navigation and home mapping a self-empty base. We believe that robotic vacuums present a large opportunity globally and we seek to bring additional products and technologies to market in this category in 2020. In addition, we plan to launch a hard floor cleaning product that combines vacuuming and mopping technology, a new series of cookware products, a new series of cordless vacuums and other new products in additional categories.

We are also very focused on continuing to drive synergies between the SharkNinja and Joyoung businesses on both the cost side and the sales side. With respect to the cost side, the supply chain and engineering teams have been working closely to identify common materials and components used by both businesses in order to use combined volumes to negotiate lower costs. In addition, finished goods suppliers are being shared by both segments in order to increase the total number of suppliers available to both segments and help create a more competitive supplier landscape. On the sales side, we continue to expand the product portfolio under the Shark brand in China. In 2020, we are working on launching a new series of cordless vacuums which will be our first product designed specifically for consumers in China.

Also, we have announced Joyoung's new brand proposition of "Enjoying Health" in 2019, in order to attract a younger customer base. In the future, we will continue to focus on innovating small household appliances in order to launch mainstream products and categories with a customer-centric focus. Joyoung will continue to employ the development strategy of "for kitchens and upgrading kitchens", while Shark within China will position itself in the household cleaning area, and strive to gain the same level of brand recognition and reputation for innovation and quality as it has in North America and other parts of the world.

The era for commercial use of 5G has arrived, where 5G will inevitably become a “new infrastructure” in the process of economic development within China. In this context, it is of great importance to explore new retail models for the future by fully implementing the digitalized transformation towards mobile and Internet. As far as we are concerned, we will focus our efforts on the two main growth drivers of products development and sales channels expansion. Driven by the demands from users, we are always committed to creating handy, stylish and innovative products, smart and convenient experiences, and scientific collocations of appliances and consumables, to attract the attention of more consumers of the new era. We will also proactively capture business opportunities to be brought about with the new economies and live streaming in the future, so as to actively meet the new preferences and needs of consumers; and will steadily advance to the new digitalized and fragmented retail trend, in an effort to acquire new users, attract new fans and establish new channels, so as to build a new retail operation model suitable for our own development.

Going forward, we will also continue to explore expansion-based development. To this end, we will seek for suitable expansion opportunities around the world in order to lay a strategic foundation in respect of, among others, brand, resource, product, technology, channel and talent for our long-term sustainable development.

Go-Forward Impact of Trade War

As a result of increased tariffs on goods imported from China into the United States, primarily 25% tariffs on vacuums, we have begun to source finished goods from outside of China with suppliers in Vietnam and Thailand. While finished goods from those countries generally are more expensive to buy than in China, there is still a substantial cost savings that comes from mitigating the 25% tariff. In addition, on November 29, 2019, the Office of the United States Trade Representative announced certain exclusions from these new tariffs, including vacuum cleaners, bagless, upright, each with self-contained electric motor of a power not exceeding 1,500 W and having a dust receptacle capacity not exceeding 1 liter. We believe this exclusion applies to a number of our vacuum cleaner products and, accordingly, we have applied for refunds for tariffs paid back to September 24, 2018, of which US\$13 million was recognized in 2019. We are also seeking additional refunds of as a result of these exclusions which will be recognized when collection of these refunds becomes virtually certain. We are also planning to change product assortments at retailers in order to maximize the percentage of the sales that comes from products excluded from tariffs. As a result, we expect tariffs to result in a lower portion of the cost of sales in 2020 than in 2019.

Debt Refinancing

Amidst the challenging operating environment, we are fully committed to generating greater value to the Shareholders and stakeholders by improving our operating performance whilst reducing operating expenses. In March 2020, the Company and Global Appliance LLC (a wholly owned subsidiary of the Company) entered into a facilities agreement for the loan facilities of an aggregate amount of US\$1,200,000,000 (the “**Facilities**”). The proceeds of the Facilities will be and have been primarily used to refinance the Group’s existing indebtedness.

The interest rate of the Facilities is below LIBOR+180 bps. The actual financing costs for loans (interest expenses and amortization expenses) amounted to US\$78 million in 2019 of which interest expenses was approximately US\$62 million and amortization expenses was approximately US\$16 million.

It is expected that LIBOR may be lower during 2020 than it was in 2019, which would lead to a further reduction in the Company’s financing costs.

For further information on the loans of the Company in 2019, see Note 15 to the consolidated financial information.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since December 18, 2019 (the "**Listing Date**"). Net proceeds from the initial public offering (after the full exercise of the over-allotment option) received by the Company were approximately US\$354 million after deducting the underwriting fees and commission and relevant expenses.

As at December 31, 2019, (i) approximately US\$178 million of the net proceeds had been utilized in line with the proposed use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated December 9, 2019; and (ii) unutilized proceeds of approximately US\$176 million were deposited with a licensed bank.

The following table sets forth a breakdown of the utilization and proposed utilization of net proceeds as at December 31, 2019:

Purpose	Percentage	Net	Utilised	Unutilised	Expected timeline for usage of proceeds
	of total amount (approx.)	proceeds <i>US\$ million</i>	amount <i>US\$ million</i>	amount <i>US\$ million</i>	
1. Repayment of a bank loan	50%	178	178	—	—
2. Research and development of new products and integration and development of the Company's supply chain	20%	71	—	71	By December 2022
3. Market expansion and brand enhancement	20%	71	—	71	By December 2022
4. Working capital and general corporate purposes	10%	34	—	34	By December 2022
Total	<u>100%</u>	<u>354</u>	<u>178</u>	<u>176</u>	

The net proceeds have been and will be used according to the purposes as stated in the prospectus, and there are no material change or delay in the use of proceeds.

BOARD COMMITTEES

The Company has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including the strategy committee, the audit committee (the "**Audit Committee**"), the remuneration committee and the nomination committee.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Dr. Wong Tin Yau Kelvin (Chairman), Mr. Timothy Roberts Warner and Mr. Yang Xianxiang, has discussed with the external auditor of the Company, Ernst & Young, and reviewed the Group's consolidated financial information for the year ended December 31, 2019, including the accounting principles and practices adopted by the Group.

EMPLOYEES AND REMUNERATIONS

As of December 31, 2019, the Group had approximately 4,434 employees in total, of which approximately 3,459 employees were with its China operation, approximately 680 employees were with its U.S. operations, and approximately 295 employees were with other countries or regions operations. For the year ended December 31, 2019, the Group recognized staff costs of US\$293.9 million (2018: US\$230.1 million).

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

In order to recognize and reward the management and employees of the Company for their contribution, to attract the best available talents, and to provide additional incentives to them to remain with and further promote the success of business, the Company adopted the restricted stock unit plan (the "**RSU Plan**") on October 9, 2019 and issued and allotted 141,618,409 ordinary shares with a par value of US\$0.00001 pursuant to the RSU Plan on October 25, 2019, which represent approximately 4.2% of the issued share capital of the Company as at the date of this announcement. As of December 31, 2019, the Company had granted an aggregate of 129,265,801 restricted stock units.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. During the period from the Listing Date up to December 31, 2019, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1 of the CG Code — Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wang Xuning (“**Mr. Wang**”) currently holds both positions.

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

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, which applies to the Directors. 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 period from the Listing Date up to December 31, 2019.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date up to December 31, 2019.

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (i) For impact of COVID-19 after the reporting period, please refer to the paragraph in this announcement headed “OUTLOOK AND STRATEGY — Impact of COVID-19” above.
- (ii) On January 6, 2020, SharkNinja Venus Technology Company Limited (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with all the shareholders of Qfeeltech (Beijing) Co., Ltd. (the “**Vendors**”), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the 100% equity interest in Qfeeltech (Beijing) Co., Ltd. at a cash consideration of not more than RMB210 million (the “**Acquisition**”). The Acquisition will be completed in several steps and the completion is expected to take place in 2023.
- (iii) On March 17, 2020, Global Appliance LLC, an indirect wholly-owned subsidiary of the Company, and the Company as borrowers, entered into a facilities agreement with a bank as arranger and agent, for loan facilities in the aggregate amount of US\$1,200,000,000. The final maturity date of the Facilities shall be the date falling 60 months after the date of initial utilization.

PAYMENT OF SPECIAL DIVIDEND

The Board resolved to declare a special dividend of US\$7.34 cent (equivalent to HK\$0.5717) per share for the year ended December 31, 2019 (the “**Special Dividend**”) which is expected to be paid on April 29, 2020. The translation of US\$ into HK\$ is made at the exchange rate of US\$1 = HK\$7.7894 as at December 31, 2019. Shareholders whose names appear on the register of members of the Company at the close of business on April 21, 2020 will be entitled to the Special Dividend. The Special Dividend will be paid in Hong Kong dollars.

CLOSURE OF REGISTER OF MEMBERS

- (a) **For determining the entitlement of the Shareholders to attend and vote at the Annual General Meeting**

The register of members of the Company will be closed from June 2, 2020 to June 5, 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on June 1, 2020.

(b) For determining the entitlement to the Special Dividend

The register of members of the Company will be closed from April 16, 2020 to April 21, 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the entitlement of the Special Dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on April 15, 2020.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "Annual General Meeting") will be held on June 5, 2020. The notice of the Annual General Meeting will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsgloballife.com) and despatched to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsgloballife.com). The 2019 annual report of the Company will be despatched to the Shareholders and published on the same websites in due course.

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

Hong Kong, March 31, 2020

As at the date of this announcement, the Board comprises Mr. Wang Xuning, Ms. Han Run and Ms. Huang Shuling as executive Directors, Mr. Hui Chi Kin Max and Mr. Stassi Anastas Anastassov as non-executive Directors and Dr. Wong Tin Yau Kelvin, Mr. Timothy Roberts Warner and Mr. Yang Xianxiang as independent non-executive Directors.