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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS OF THE 2020 INTERIM RESULTS ANNOUNCEMENT

- Revenue for the six months ended June 30, 2020 was US$1,514.7 million, representing a year-on-year increase of 22.6%;
- Gross profit for the six months ended June 30, 2020 was US$661.8 million, a year-on-year increase of 43.2%;
- Profit for the six months ended June 30, 2020 was US$106.7 million, a year-on-year increase of 387.2%;
- EBITDA for the six months ended June 30, 2020 increased by 117.0% year-on-year to approximately US$250.2 million;
- Adjusted EBITDA for the six months ended June 30, 2020 increased by 61.1% year-on-year to approximately US$235.4 million;
- Adjusted profit attributed to owners of the parent for the six months ended June 30, 2020 increased by 230.4% year-on-year to approximately US$108.7 million.

The board (the "**Board**") of directors (the "**Directors**") of JS Global Lifestyle Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**" or "**we**") for the six months ended June 30, 2020 (the "**Reporting Period**").

The Group's unaudited consolidated statement of profit or loss, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of financial position and explanatory notes 1 to 14 as presented below are extracted from the Group's unaudited interim condensed consolidated financial information for the six months ended June 30, 2020, which has been reviewed by the Company's external auditor Ernst & Young, in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board.

FINANCIAL INFORMATION

The financial information below is an extract of the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2020:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2020

	Notes	2020 US$'000	2019 US$'000
REVENUE	4	**1,514,692**	1,235,836
Cost of sales		**(852,926)**	(773,716)
Gross profit		**661,766**	462,120
Other income and gains	6	**15,708**	12,316
Selling and distribution expenses		**(243,926)**	(203,539)
Administrative expenses		**(220,282)**	(179,120)
Impairment losses on financial assets		**(5,581)**	(1,311)
Other expenses		**(4,789)**	(17,615)
Finance costs	7	**(59,077)**	(43,993)
Share of profits and losses of associates		**(262)**	92
PROFIT BEFORE TAX	5	**143,557**	28,950
Income tax expense	8	**(36,863)**	(7,041)
PROFIT FOR THE PERIOD		**106,694**	21,909
Attributable to:			
Owners of the parent		**81,777**	2,446
Non-controlling interests		**24,917**	19,463
		106,694	21,909
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
— Basic		**US2.5 cents**	US0.1 cents
— Diluted		**US2.5 cents**	US0.1 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	2020	2019
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**106,694**	21,909
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(10,856)**	1,806
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(10,856)**	1,806
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**95,838**	23,715
Attributable to:		
Owners of the parent	**73,917**	1,768
Non-controlling interests	**21,921**	21,947
	95,838	23,715

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

	Notes	**As at June 30, 2020** *US$'000*	As at December 31, 2019 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**194,324**	206,617
Investment properties		**21,027**	25,788
Prepaid land lease payments		**15,167**	15,588
Right-of-use assets		**73,399**	56,695
Goodwill		**848,238**	839,767
Other intangible assets		**565,218**	548,830
Investments in associates		**34,598**	35,606
Financial assets at fair value through profit or loss		**58,177**	58,677
Financial assets designated at fair value through other comprehensive income		**38,865**	38,318
Deferred tax assets		**38,949**	44,895
Pledged deposits		**113,233**	114,913
Other non-current assets		**17,702**	13,725
Total non-current assets		**2,018,897**	1,999,419
CURRENT ASSETS			
Inventories		**315,450**	393,081
Trade and bills receivables	*10*	**706,790**	804,250
Prepayments, other receivables and other assets		**133,040**	67,793
Financial assets at fair value through profit or loss		**170,569**	25,811
Pledged deposits		**102,464**	63,122
Cash and cash equivalents		**299,831**	421,316
Total current assets		**1,728,144**	1,775,373

	Notes	As at June 30, 2020 US$'000	As at December 31, 2019 US$'000
CURRENT LIABILITIES			
Trade and bills payables	*11*	**593,116**	530,137
Other payables and accruals		**326,345**	411,046
Interest-bearing bank borrowings	*12*	**37,500**	26,176
Lease liabilities		**13,515**	9,450
Tax payable		**25,323**	13,649
Total current liabilities		**995,799**	990,458
NET CURRENT ASSETS		**732,345**	784,915
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,751,242**	2,784,334
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*12*	**1,132,641**	1,049,119
Lease liabilities		**66,546**	52,777
Deferred tax liabilities		**137,102**	133,787
Other non-current liabilities		**15,695**	15,290
Total non-current liabilities		**1,351,984**	1,250,973
Net assets		**1,399,258**	1,533,361
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**33**	33
Share premium		**924,437**	923,911
Capital reserve		**69,423**	69,415
Reserves		**154,564**	294,462
		1,148,457	1,287,821
Non-controlling interests		**250,801**	245,540
Total equity		**1,399,258**	1,533,361

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 16	*COVID-19-Related Rent Concessions*
Amendments to IAS 1 and IAS 8	*Definition of Material*

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted. The amendment did not have any impact on the Group's unaudited interim condensed consolidated financial information.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

(a) the Joyoung segment was involved in the design, manufacture, marketing, export and distribution of small kitchen and cleaning appliances; and

(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.

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 for 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.

Six months ended June 30, 2020

	Joyoung *US$'000*	SharkNinja *US$'000*	Total *US$'000*
Segment revenue			
Sales to external customers	**624,377**	**890,315**	**1,514,692**
Intersegment sales	**13,111**	**10,447**	**23,558**
	637,488	**900,762**	**1,538,250**
Reconciliation:			
Elimination of intersegment sales			**(23,558)**
Revenue *(note 4)*			**1,514,692**
Segment results	**69,780**	**145,847**	**215,627**
Reconciliation:			
Interest income			**2,388**
Exchange gain			**1,278**
Unallocated income			**2,885**
Finance costs (other than interest on lease liabilities)			**(55,349)**
Corporate and other unallocated expenses			**(23,272)**
Profit before tax			**143,557**
Other segment information			
Share of profits and losses of associates	**(262)**	**—**	**(262)**
Impairment losses recognized in profit or loss	**1,439**	**5,388**	**6,827**
Depreciation and amortization	**7,341**	**44,950**	**52,291**
Interest income	**2,370**	**—**	**2,370**
Finance costs	**2,243**	**1,485**	**3,728**
Investments in associates	**34,598**	**—**	**34,598**
Capital expenditure*	**1,385**	**50,674**	**52,059**

Six months ended June 30, 2019

	Joyoung *US$'000*	SharkNinja *US$'000*	Total *US$'000*
Segment revenue			
Sales to external customers	572,318	663,518	1,235,836
Intersegment sales	37,572	6,206	43,778
	609,890	669,724	1,279,614
Reconciliation:			
Elimination of intersegment sales			(43,778)
Revenue *(note 4)*			1,235,836
Segment results	69,506	7,607	77,113
Reconciliation:			
Interest income			85
Exchange loss			(1,731)
Finance costs (other than interest on lease liabilities)			(40,797)
Corporate and other unallocated expenses			(5,720)
Profit before tax			28,950
Other segment information			
Share of profits and losses of associates	92	—	92
Impairment losses recognized in profit or loss	513	859	1,372
Depreciation and amortization	7,779	36,334	44,113
Interest income	1,859	—	1,859
Finance costs	1,841	1,355	3,196
Investments in associates	39,259	—	39,259
Capital expenditure*	15,790	30,173	45,963

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Revenue from contracts with customers	**1,514,692**	1,235,836

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Geographical markets		
Mainland China	**612,855**	562,986
North America	**724,865**	551,847
Europe	**143,812**	91,854
Other countries/regions	**33,160**	29,149
Total revenue from contracts with customers	**1,514,692**	1,235,836

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Timing of revenue recognition		
Goods transferred at a point in time	**1,514,401**	1,235,539
Services transferred over time	**291**	297
Total revenue from contracts with customers	**1,514,692**	1,235,836

5. PROFIT BEFORE TAX

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

		For the six months ended June 30,	
		2020	2019
	Note	***US$'000***	*US$'000*
Cost of inventories sold		**852,926**	773,716
Foreign exchange differences, net		**2,992**	1,795
Impairment of inventories		**1,246**	61
Impairment of financial assets, net:			
Impairment of trade receivables, net		**5,302**	1,276
Impairment of financial assets included in prepayments, other receivables and other assets		**279**	35
		5,581	1,311
Product warranty provision:			
Additional provision		**4,841**	3,381
Gain on disposal of items of property, plant and equipment	*6*	**25**	34
Gain on disposal of an investment property	*6*	**454**	—
Gain on financial assets at fair value through profit or loss, net	*6*	**3,255**	5,988
Government grants*		**4,855**	2,885

Note:

* 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 these grants that have been recognized.

6. OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Other income		
Bank interest income	**4,758**	1,944
Net rental income from investment property operating leases	**417**	384
Government grants	**4,855**	2,885
Others	**1,120**	146
	11,150	5,359
Gains		
Gain on disposal of items of property, plant and equipment	**25**	34
Gain on disposal of an investment property	**454**	—
Gain on financial assets at fair value through profit or loss, net	**3,255**	5,988
Others	**824**	935
	4,558	6,957
Total other income and gains	**15,708**	12,316

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Interest on bank loans	**21,454**	33,377
Interest on lease liabilities	**1,636**	1,534
Amortization of deferred finance costs	**32,413**	6,193
Other finance costs	**3,574**	2,889
	59,077	43,993

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Current income tax charge/(credit):		
In Mainland China	**5,601**	4,047
In the United States	**19,909**	1,975
In the United Kingdom	**1,132**	(1,268)
Elsewhere	**(394)**	67
Deferred income tax:		
In Mainland China	**6,601**	5,208
In the United States	**4,014**	(2,988)
Total tax charge for the period	**36,863**	7,041

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

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

Under the relevant U.S. income tax law, except for certain preferential treatments available to the Group, the U.S. subsidiaries of the Group are subject to income tax at a federal statutory rate of 21% (during the six months ended June 30, 2019: 21%) on their respective taxable income. In addition to federal taxes, the Group is subject to state taxes at the applicable state tax rates.

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% (during the six months ended June 30, 2019: 25%) on their respective taxable income. During the period, two (during the six months ended June 30, 2019: 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 period 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.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,271,722,000 in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued 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:

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**81,777**	2,446

	Number of shares for the six months ended June 30	
	2020	2019
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,271,722**	1,786,027
Effect of dilution — weighted average number of ordinary shares:		
Share award scheme	**18,610**	—
	3,290,332	1,786,027

10. TRADE AND BILLS RECEIVABLES

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:

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
Within 6 months	**700,832**	801,206
6 months to 1 year	**4,699**	2,227
1 to 2 years	**1,259**	817
	706,790	804,250

Included in the Group's trade and bills receivables were amounts due from the Group's associates of US$19,708,000 as at June 30, 2020 (December 31, 2019: US$12,692,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

11. 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:

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
Within 1 year	**592,360**	529,604
1 to 2 years	**756**	533
	593,116	530,137

Included in the trade and bills payables as at June 30, 2020 were trade payables of US$16,328,000 (December 31, 2019: US$36,564,000) due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.

12. INTEREST-BEARING BANK BORROWINGS

	June 30, 2020			December 31, 2019		
	Interest rate (%)	**Maturity**	***US$'000***	Interest rate (%)	Maturity	*US$'000*
Current						
Bank loans — secured	**1.56+LIBOR**	**2021**	**37,500**	3.25+LIBOR	2020	26,176
			37,500			26,176
Non-current						
Bank loans — secured (a)	**0.80+HIBOR**	**2022**	**111,781**	1.20+HIBOR	2022	113,579
Bank loans — secured (b)	**1.80+LIBOR**	**2021–2025**	**567,492**	3.25+LIBOR	2021–2022	167,667
Bank loans — secured (b)	**1.56+LIBOR**	**2022–2025**	**453,368**	4.00+LIBOR	2022–2024	420,966
Bank loans			**—**	2.75+LIBOR	2022	64,841
Bank loans			**—**	1.60+LIBOR	2021–2024	282,066
			1,132,641			1,049,119
			1,170,141			1,075,295

	June 30, 2020	December 31, 2019
	US$'000	*US$'000*
Analyzed into:		
Bank loans repayable:		
Within one year or on demand	**37,500**	26,176
In the second year	**186,781**	109,521
In the third to fifth years, inclusive	**945,860**	939,598
	1,170,141	1,075,295

Notes:

(a) The bank loan was secured by a pledged deposit of US$113,233,000 as at June 30, 2020 (December 31, 2019: US$114,913,000).

(b) The bank loan is secured by:

(i) The pledge of 411,558,069 shares of Joyoung Co., Ltd. as at June 30, 2020 (December 31, 2019: 339,272,626);

(ii) The total shares in Shanghai Lihong Management Company Limited ("**Shanghai Lihong**") held by Sunshine Rise Company Limited;

(iii) The total shares in Shanghai Lihong held by Easy Appliance Limited;

(iv) Certain of the Group's assets amounting to US$2,050,238,000 as at June 30, 2020 (December 31, 2019: US$1,416,746,000); and

(v) The pledge of equity interests of the following companies:

	Percentage of equity interests
Global Appliance LLC	100%
Euro-Pro Holdco, LLC	100%
EP Midco LLC	100%
SharkNinja Operating LLC	100%
Euro-Pro International Holding Company	100%
SharkNinja Sales Company	100%
SharkNinja Management LLC	100%
Global Appliance U.K. Holdco Limited	100%
Global Appliance 1 Limited	100%
Global Appliance 2 Limited	100%
Compass Cayman SPV, Ltd.	100%
Compass Cayman SPV 2 Limited	100%
Bilting Developments Limited	100%
Xiang Hong Company Limited	100%
JY-SN Company Limited	100%
Sunshine Rise Company Limited	100%
Euro-Pro Hong Kong Limited	100%
SharkNinja (Hong Kong) Company Limited	100%
Shenzhen SharkNinja Technology Co., Ltd	100%
Suzhou SharkNinja Technology Co., Ltd	100%

The Group's unutilized available bank borrowing facilities amounted to US$150,231,000 as at June 30, 2020 (December 31, 2019: US$141,046,000).

13. BUSINESS COMBINATION

In April 2020, SharkNinja Venus, a subsidiary of the Group, had accumulatively acquired 59.71% interest in Qfeeltech from a third party. Qfeeltech is principally engaged in the research and development for the manufacture of robotic products. The acquisition was made as part of the Group's strategy to procure the technology used in the Group's advanced navigation robot products. The purchase consideration for the acquisition was in the form of cash, with RMB124,576,000 (equivalent to US$18,000,000) paid by the acquisition date.

The Group has elected to measure the non-controlling interests in Qfeeltech at the acquisition-date fair value.

The fair values of the identifiable assets and liabilities acquired and the goodwill have been determined on a provisional basis, awaiting the completion of the identification of separable assets and valuation of the identifiable assets and liabilities:

	Fair value recognized on acquisition *US$'000* **(provisional)**
Property, plant and equipment	98
Other intangible assets	21,420
Other non-current assets	137
Inventories	593
Cash and cash equivalents	1,140
Trade receivables	211
Prepayments, other receivables and other assets	800
Deferred tax assets	1,463
Trade payables	(302)
Other payables and accruals	(818)
Deferred tax liabilities	(3,213)
Total provisional identifiable net assets at fair value	21,529
Non-controlling interests	(12,000)
Goodwill on acquisition	8,471
Satisfied by cash	18,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to US$211,000 and US$147,000, respectively. The gross contractual amounts of trade receivables and other receivables were US$211,000 and US$147,000, respectively, of which no receivables are expected to be uncollectible.

The Group incurred transaction costs of US$263,000 for the acquisition. These transaction costs have been expensed and are included in administrative expenses in the interim condensed consolidated statement of profit or loss.

Included in the goodwill of US$8,471,000 recognized above is the assembled workforce, which is not recognized separately. Since the workforce is not separable, it does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets*. None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US$'000
Cash consideration	(18,000)
Cash and bank balances acquired	1,140
Net outflow of cash and cash equivalents included in cash flows from investing activities	(16,860)

Since the acquisition, Qfeeltech contributed nil to the Group's revenue and US$(2,298,000) to the consolidated profit for the six months ended June 30, 2020.

Had the combination taken place at the beginning of the year, the revenue from operations of the Group and the profit of the Group for the period would have been US$1,514,692,000 and US$105,497,000, respectively.

In accordance with the terms of the purchase agreement, the Group acquires Qfeeltech in steps. Subsequent to the acquisition date, the Group acquired an additional 12.09% ownership of Qfeeltech with RMB23,950,000 (equivalent to US$3,540,000) consideration paid. The Group has acquired 71.8% interest in Qfeeltech as at June 30, 2020. The Group expects to pay no more than RMB61,474,000 (equivalent to US$8,460,000) to acquire the remaining 28.2% ownership in future periods.

14. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to June 30, 2020.

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

BUSINESS OVERVIEW

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

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

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

We offered our transformational 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 and cleaning appliances. In China, our Joyoung brand maintains the largest market share in several innovative product categories.

The United States

The SharkNinja segment's U.S. business continued to thrive, bolstered by the new products launched in the second half of 2019 and the first half of 2020. In the Shark brand, consumers continued to show their excitement for our products including our corded and cordless vacuum series with self-cleaning brushroll technology, advanced navigation robotic vacuums and the new Shark VACMOP (Shark 吸拖一體機), which was launched in the first half of 2020.

The Shark VACMOP is a cordless vacuum that combines powerful suction for dry debris and spray mopping for wet stuck on messes in one no-touch disposable pad. The VACMOP has received broad support from retailers in the U.S. and has been well received by consumers as well since its launch in early 2020. The product has become a best seller in retailers' floorcare departments and has generated record setting sell-outs during television direct sales airings.

In our Ninja brand, core growth in our heated kitchen and blender categories was boosted by successful additions across the Foodi series of products launched in 2019. Such additions include the Ninja Foodi Grill, an indoor grill that sears, sizzles and air fry crisps, and the Ninja Foodi Oven, a countertop oven that flips up out of the way when you're done using it.

In addition to the positive results that our 2019 and 2020 new product launches have generated, we have also seen an increase in demand for our products as a result of the circumstances created by the novel coronavirus ("**COVID-19**"). People in the U.S. are spending more time at home and are eating at restaurants less. As a result, consumers are looking for new and exciting ways to cook meals which has generated demand for our Foodi series of products. Also, as people are spending more time in their homes they are focusing more on cleanliness, which has created demand for our cleaning appliances. These factors have led to an increase in demand for nearly all of the product categories that we sell.

While the demand for our products has increased overall, there has been a shift from offline sales to online sales. We have been able to take advantage of this shift in buying preferences by leveraging our omni-channel distribution capabilities, our relationships with North American retailers (such as Walmart, Amazon and Target) and the adaptability to promptly respond to changes in supply chain dynamics and consumer behavior. As consumers' buying preferences transitioned from offline channels to online channels, the proportion of sales on retailers' online platforms and those dedicated solely to the online channel increased. This reinforced our omni-channel approach to distribution, ensuring that we were able to support consumer demand, which remained strong due to our innovative new products as well as increased usage of cooking and cleaning products driven by the 'stay at home economy' born out of the pandemic.

China

China has made a big achievement in epidemic prevention and control in the first half of 2020, and the Joyoung segment of the Group therefore adjusted its strategies immediately, leveraging the advantage of utilizing online channels to launch small household appliance products that satisfy consumers' demands in a timely manner. In the first half of the year, the prices for the core category SKY series on the online channels of the Joyoung segment has arrived at the prevailing market price range. We also launched products including Y3 wash-free high-performance multifunctional blender (Y3 不用手洗破壁機), K150 high-performance extraction soymilk maker (K150 破壁豆漿機) and S1 multifunctional steam cooker (S1 多功能蒸汽飯煲), which were well received by the market. The Joyoung segment further promoted intellectual property ("**IP**") crossover products and cooperated with adorable and stylish IPs including Line Friends and Pikachu in the first half of the year, thus further improving the popularity of Joyoung among young consumers.

In addition, the Shark brand launched more localized and lightweight products in China's market, which included B-series handheld cordless vacuum featuring super silence, 99% deep mite killing, a 950-gram light body and ZeroM technology, thus better meeting Chinese consumers' demands for lightweight, compact household appliances.

In the first half of 2020, the Joyoung segment launched the Joyoung product promotion campaign by engaging famous Key Opinion Leaders, participating in livestreaming of top-notch celebrities and inviting celebrities of popular shows such as "Sisters Riding the Winds and Breaking the Waves", and further improved product recognition and reputation.

Europe

In the first half of 2020, the SharkNinja segment of the Group achieved outstanding performance in the European market, resulting in a significant improvement of market share in the U.K. driven by strong sales of both corded and cordless vacuums, as well as cooking appliances. The SharkNinja segment launched into the German market during first half of 2020, which is expected to help drive additional future growth.

As consumers cooked more frequently when they stayed at home during the pandemic, the Ninja brand launched an online cooking platform cookingcircle.com, providing consumers with recipes, offering guidance on how to use Ninja products to cook through videos and establishing positive interactions with consumers.

Currently, the Shark brand ranks first in the U.K. market in terms of market share of the upright vacuum category. Shark's dominance in the U.K. market is a result of its consumer-focused R&D process combined with its ability to successfully commercialize quality products designed specifically for the U.K. consumer.

Other Markets

In the first half of 2020, the Group also reported sound growth in other markets, and IP crossover featherweight vacuum launched by the Shark brand in Japanese market was widely embraced by consumers.

INDUSTRY OVERVIEW

In the first half of 2020, China's online retail sales grew to RMB5.15 trillion and recorded a year-on-year growth of 7.3%. According to the information disclosed by the U.S. Census Bureau, online retail sales in the U.S. grew to US$371.9 billion and recorded year-on-year growth of 30.0% for the same period.

Market competition intensified under the changes to the global market environment, the economic slowdown and the rapid consumer demand conversion. The severe health and economic conditions set higher requirements to enterprises' innovation and management ability, and while opportunities co-existed with challenges, the environment was favorable for agile enterprises which were able to adapt to the changing market landscape.

In the first half of 2020, Group responded quickly to the macro circumstances and consumer behavior by successfully launching new products to satisfy consumers' demand for cooking and cleaning. According to Frost & Sullivan, as of June 30, 2020, the Group ranked sixth in the global small household appliance market.

Despite the pressure and challenges, China and the U.S. remain the world's largest and most attractive small household appliance markets.

The United States

The U.S. is the world's largest small household appliance market. The real gross domestic production ("**GDP**") of the U.S. in the first and second quarters of 2020, declined by 5.0% and 32.9% year-on-year, respectively (source: U.S. Census Bureau). Despite the economic decline in the first half of 2020, according to Frost & Sullivan, the U.S. small home appliance market is expected to grow by 1.5% in 2020.

As a global high-quality small household appliance supplier, the Company maintains stable market shares in food preparation appliances, cooking appliances, home environment appliances (including cleaning appliances) and personal care appliances. Classified by product category, the SharkNinja segment of the Company ranked first, first, first and second respectively in the categories of vacuum, multifunctional cooker, high-performance multi-functional blender and robotic vacuum as of June 30, 2020.

With improving e-commerce penetration and the emergence of smart technology, the U.S. market embraces products with innovative technology, multiple functions and appealing exterior designs. The emerging online platforms thus provide new distribution channels for the small household appliance industry, and leading enterprises that can effectively take advantage of online platforms are expected to seize new growth opportunities. According to the Frost & Sullivan industry report, the online penetration will increase from approximately 18.7% to approximately 22.2% from 2019 to 2024.

China

China's economy gradually overcame the negative impact of COVID-19 in the first half of 2020. According to the data of National Bureau Statistics, China's GDP in the first half of 2020 reported a year-on-year decrease of 1.6%, with the first quarter of 2020 experiencing a year-on-year decline of 6.8% and, the second quarter of 2020 experiencing a year-on-year increase of 3.2%.

With the coming of the 5G era, the huge demographic dividend and the consumption transition, China remains fastest growing household appliance market with the fastest growth currently.

Facing fierce competition in the market and the increasing disposable income of Chinese consumers and the trend of consumption upgrade, dramatic changes in consumption behavior are being seen in Chinese consumers. Small household appliances including soymilk makers, smart cookers and robotic vacuums are entering people's kitchens and living rooms. The consumption upgrade also leads to the trend of product premiumization and branding. In the meantime, the emergence of new retail channel in China disrupts the traditional consumer experience, and the online channel becomes a new racing track. The number of internet users in China had reached 854,000,000 in June 2019. According to the Frost & Sullivan industry report, the online penetration of China's small household appliance market will increase from approximately 57.9% in 2019 to approximately 70.6% in 2024. The Joyoung segment of the Group ranked first, first and third respectively in the categories of soymilk maker, high-performance multi-functional blender and rice cooker.

Europe

Similar to the U.S. small household appliance market, the European 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 aesthetic 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.

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.

FINANCIAL REVIEW

Overall performance

During the six months ended June 30, 2020, the total revenue of the Group was US$1,514.7 million, representing a year-on-year increase of 22.6%. Gross profit was US$661.8 million, a year-on-year increase of 43.2%. Gross profit margin was 43.7%, significantly improving by 6.3 percentage points as compared to 37.4% year-on-year. Profit for the six months ended June 30, 2020 increased by 387.2% year-on-year to approximately US$106.7 million. Profit attributable to owners of the parent increased by approximately 3,243% year-on-year to approximately US$81.8 million. EBITDA[1] for the six months ended June 30, 2020 grew by 117.0% year-on-year to approximately US$250.2 million, and adjusted EBITDA[2] for the six months ended June 30, 2020 increased by 61.1% year-on-year to approximately US$235.4 million. Adjusted profit[3] for the six months ended June 30, 2020 increased by 99.9% year-on-year to approximately US$134.3 million. During the six months ended June 30, 2020, the Group recorded US$38.1 million of expected tariff refunds that were related to cost of sales in the previous year. The adjusted EBITDA and adjusted profit for six months ended on June 30, 2019 have been restated to reflect the impact of the tariff refunds that relate to that time period.

Revenue

For the six months ended June 30, 2020, the Group recorded a total revenue of US$1,514.7 million (2019: US$1,235.8 million), representing a year-on-year increase of 22.6%.

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

	For the six months ended June 30,			
	2020		2019	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
Joyoung segment	**624.4**	**41.2**	572.3	46.3
SharkNinja segment	**890.3**	**58.8**	663.5	53.7
Total	**1,514.7**	**100.0**	1,235.8	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 periods to EBITDA as defined, see "— Non-IFRS Measures" below.

2 For a reconciliation of EBITDA for the six months ended June 30, 2020 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 periods to Adjusted profit, see "— Non-IFRS Measures" below.

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

During the six months ended June 30, 2020, revenue from the SharkNinja segment was US$890.3 million (2019: US$663.5 million), growing by approximately 34.2% year-on-year and accounting for approximately 58.8% of the total revenue of the Group. Revenue from the Joyoung segment amounted to US$624.4 million (2019: US$572.3 million), growing by approximately 9.1% year-on-year and accounting for approximately 41.2% of the total revenue of the Group.

The revenue growth of the SharkNinja segment was attributable to the successful launch of new products in the second half of 2019 and the first half of 2020, continued international expansion in Europe and Japan, and successful marketing strategies across the portfolio. Advanced navigation robotic vacuums and additional heated kitchen appliances continued to be embraced by consumers after their launch during the 2019 holiday season. Growth in both cleaning appliances and the cooking appliances was further aided by shifting consumer behavior driven by COVID-19.

The revenue growth of the Joyoung segment was primarily attributable to the Group's new product launches, advantage in online channels in the times of COVID-19, well-timed launch of a series of creative, adorable and stylish products that satisfy consumers' life, cooking and cleaning demands and further expansion of its core product's prevailing market sales price range. Meanwhile, with greater synergy effects realized between Joyoung and SharkNinja and the implementation of Shark brand localization, the sales contribution of Joyoung cleaning appliances also steadily improved in the first half of 2020.

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

	For the six months ended June 30,			
	2020		2019	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
Joyoung	**605.2**	**40.0**	564.0	45.6
Shark	**590.0**	**39.0**	449.6	36.4
Ninja	**319.5**	**21.0**	222.2	18.0
Total	**1,514.7**	**100.0**	1,235.8	100.0

During the six months ended June 30, 2020, total revenue generated by the Joyoung brand was approximately US$605.2 million (2019: US$564.0 million), representing a year-on-year increase of approximately 7.3%. The increase was primarily attributable to the Group's advantage in online channels in the times of COVID-19, well-timed launch of a series of creative, adorable and stylish products that satisfy consumers' life, cooking and cleaning demands and further expansion of core product's prevailing market sales price range. Meanwhile, with greater synergy effects realized between Joyoung and SharkNinja and the implementation of Shark brand localization, the sales contribution of Joyoung cleaning appliances also steadily improved in the first half of 2020. Revenue of Joyoung brand will be higher if the currency denomination were RMB as the average exchange rates applied in calculating income of Joyoung brand in the first half of 2020 and the first half of 2019 were RMB7.0302 to US$1.00 and RMB6.7668 to US$1.00 respectively, representing a depreciation of 3.89%.

During the six months ended June 30, 2020, total revenue generated by the Shark brand was approximately US$590 million (2019: US$449.6 million), representing a year-on-year increase of approximately 31.2%. The increase was attributable to growth in all areas of the cleaning appliances category including corded vacuums, cordless vacuums, robotic vacuums and hard floor cleaners including steam mops and the newly launched VACMOP which is a cordless vacuum combines powerful suction for dry debris and spray mopping for wet stuck on messes in one no-touch disposable pad.

During the six months ended June 30, 2020, total revenue generated by the Ninja brand was approximately US$319.5 million (2019: US$222.2 million), representing a year-on-year increase of approximately 43.8%. The increase was primarily attributable to growth in the Foodi family of products within cooking appliances and higher blender sales in both the U.S. and the U.K.

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

	For the six months ended June 30,			
	2020		2019	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
China	**612.9**	**40.5**	563.0	45.5
North America	**724.8**	**47.9**	551.8	44.7
Europe	**143.8**	**9.5**	91.9	7.4
Other markets	**33.2**	**2.1**	29.1	2.4
Total	**1,514.7**	**100.0**	1,235.8	100.0

During the six months ended June 30, 2020, total revenue generated from China was approximately US$612.9 million (2019: US$563.0 million), representing a year-on-year increase of approximately 8.9%. The increase was primarily attributable to the Group's advantage of online channels in the times of COVID-19, well-timed launching of a series of creative, adorable and stylish products that satisfy consumers' lifestyle, cooking and cleaning demands and further expansion of core product's price to prevailing market sales price range. As China made stage achievement in the epidemic prevention and control in the second quarter of 2020, work and production resumed in an orderly manner, and kitchen appliances and the cleaning category in China both reported a steady growth.

During the six months ended June 30, 2020, total revenue generated from North America was approximately US$724.8 million (2019: US$551.8 million), representing a strong year-on-year growth of 31.4%. The growth was across all major categories, driven by successful new product launches such as Foodi series heated kitchen appliances under the Ninja brand, as well as advanced navigation robotics and various other cleaning appliances including VACPMOP under the Shark brand. Growth was further aided by the "stay-at-home economy" and the increased overall demand for cooking and cleaning appliances.

During the six months ended June 30, 2020, total revenue generated from Europe was approximately US$143.8 million (2019: US$91.9 million), representing strong year-on-year growth of 56.5%, primarily from the U.K. market. With improved brand recognition driven by successful marketing campaigns, we succeeded in obtaining additional retailer shelf space. Meanwhile, the penetration of the e-commerce business in the European market continued to increase, and the Group is on track with regards to its expansion plans into Germany and France, with Germany launching in the first half of 2020 and France on track to launch in the second half of 2020.

During the six months ended June 30, 2020, total revenue generated from other markets was approximately US$33.2 million (2019: US$29.1 million), representing a year-on-year growth of 14.1% driven primarily by the Japanese market.

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

	For the six months ended June 30,			
	2020		2019	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
Cleaning appliances	**586.4**	**38.7**	460.5	37.2
Food preparation appliances	**398.7**	**26.3**	347.4	28.1
Cooking appliances	**449.6**	**29.7**	359.1	29.1
Others	**80.0**	**5.3**	68.8	5.6
Total	**1,514.7**	**100.0**	1,235.8	100.0

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

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

During the six months ended June 30, 2020, cleaning appliances remained the Group's largest product category, with revenue contribution increasing from 37.2% for the six months ended June 30, 2019 to 38.7%. The cleaning category grew by 27.3% year-on-year to US$586.4 million. The growth of cleaning category was primarily attributable to the Group's successful launch of new advanced navigation robotic vacuums in the fourth quarter of 2019. Furthermore, the cleaning category gained greater popularity among consumers due to COVID-19, among which, corded, cordless, and robotic vacuums all experienced strong growth.

Similarly, owing to the successful launch of new products and the demand for cooking appliances further increasing due to COVID-19, the cooking category grew by 25.2% year-on-year to US$449.6 million during the six months ended June 30, 2020. This was driven by the success of SharkNinja's Foodi family of products which include the Ninja Foodi Grill, Digital Air Fry Oven and Deluxe Pressure Cooker & Air Fryer.

During the six months ended June 30, 2020, food preparation appliances recorded revenue growth of 14.8%, with the revenue of US$398.7 million. The growth was primarily attributable to the application of creative products and technologies to the lower end and the expansion to the prevailing market price range, coupled with the relatively strong growth of the Group's food preparation product categories, such as high-performance multifunctional blenders.

During the six months ended June 30, 2020, others product category recorded a year-on-year growth of 16.3%, which was mainly driven by the cookware series in China's market, with products such as milk pots being well received.

OTHER FINANCIAL INFORMATION

Cost of sales

For the six months ended June 30, 2020, the cost of sales of the Group was approximately US$852.9 million (2019: US$773.7 million), representing a year-on-year increase of approximately 10.2%. The increase was primarily attributable to increased sales.

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

	For the six months ended June 30,			
	2020		2019	
	Amount	**%**	Amount	%
	(in US$ million, except percentages)			
Joyoung segment	**417.9**	**49.0**	378.5	48.9
SharkNinja segment	**435.0**	**51.0**	395.2	51.1
Total	**852.9**	**100.0**	773.7	100.0

For the six months ended June 30, 2020, the Joyoung segment recorded a total cost of sales of approximately US$417.9 million (2019: US$378.5 million), representing a year-on-year increase of approximately 10.4%. The increase was primarily attributable to the revenue growth.

For the six months ended June 30, 2020, the SharkNinja segment recorded a total cost of sales of approximately US$435.0 million (2019: US$395.2 million), representing a year-on-year increase of approximately 10.1%. The increase was the result of increased sales, offset by US$38.1 million in tariff refund that were recorded in the first half of 2020.

As a result of the trade war between the U.S. and China and the increase in tariffs on goods made in China imported into the U.S., we first saw a 10% tariff implemented on vacuums and air fryers imported into the U.S. 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 U.S. on October 1, 2019. On November 29, 2019, the Office of the United States Trade Representative announced exclusions from these new tariffs covering 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. On April 24, 2020, the Office of the United States Trade Representative announced exclusions from these new tariffs covering robotic designed for residential use and countertop air fryers. We believe these exclusions apply to a number of our vacuum cleaners and cooking appliances and, accordingly, we have applied for refunds for tariffs paid back to September 24, 2018, of which US$13 million was recognized in 2019 and US$38.1 million was recognized in the first half of 2020 related to tariffs paid in 2019. Of these amounts, US$9.2 million related to the first half of 2019. The tariff exclusions will expire on December 31, 2020 unless otherwise extended.

Gross profit

For the six months ended June 30, 2020, the gross profit of the Group was approximately US$661.8 million (2019: approximately US$462.1 million), representing a year-on-year increase of approximately 43.2%. The increase was primarily attributable to the significant increase in revenue, an optimized product portfolio and the tariff refunds in the first half of 2020.

	For the six months ended June 30,			
	2020		2019	
	Gross Profit	**Gross Margin**	Gross Profit	Gross Margin
		%		%
	(in US$ million, except percentages)			
Joyoung segment	**206.5**	**33.1**	193.8	33.9
SharkNinja segment	**455.3**	**51.1**	268.3	40.4
Total	**661.8**	**43.7**	462.1	37.4

The gross profit margin for the six months ended June 30, 2020 was 43.7%, representing a significant increase of 6.3 percentage points from 37.4% for the six months ended June 30, 2019. The increase in gross profit margin was mainly due to the tariff refunds of US$38.1 million which were recorded in the first half of the year but related to tariff expenses recognized in prior periods, an optimized product portfolio in the North American and European markets, including the launch of robotic vacuums that commanded a higher gross margin than the same period last year, and strong demand for our products which allowed us to sell more products at their regular prices rather than at promotional prices.

The gross profit margin of Joyoung segment decreased from 33.9% for the six months ended June 30, 2019 to 33.1% for the six months ended June 30, 2020, mainly due to the change of product mix.

The gross profit of SharkNinja segment for the six months ended June 30, 2020 increased by 69.7%, and its gross profit margin increased significantly from 40.4% for the six months ended June 30, 2019 to 51.1% for the six months ended June 30, 2020. The increase in gross profit margin was mainly attributable to the tariff refunds of US$38.1 million which were recorded in the first half of the year but related to tariff expenses recognized in prior periods, an optimized product portfolio in the North American and European markets, including the launch of robotic vacuums that commanded a higher gross margin than the same period last year, and strong demand for our products which allowed us to sell more products at their regular prices rather than at promotional prices. Excluding the impact of tariff refunds, SharkNinja's gross profit margin for the six months ended June 30, 2020 was 46.9%.

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 six months ended June 30,	
	2020	2019
	(in US$ million)	
Other income		
Bank interest income	**4.8**	1.9
Rental income	**0.4**	0.4
Government grants	**4.9**	2.9
Others	**1.0**	0.1
Subtotal	**11.1**	5.3
Gains		
Gain on financial assets at fair value through profit or loss, net	**3.3**	6.0
Others	**1.3**	1.0
Subtotal	**4.6**	7.0

For the six months ended June 30, 2020, other income and gains of the Group was approximately US$15.7 million (2019: US$12.3 million), representing a year-on-year increase of approximately 27.6%. The increase was primarily due to the increase of government grant and interest income attributable to more cash deposited in the banks from the proceeds of global offering of the Company in 2019 (the "**Global Offering**").

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 six months ended June 30,	
	2020	2019
	(in US$ million, except percentages)	
Advertising expenses	**82.8**	71.5
Warehousing and transportation expenses	**51.5**	41.3
Trade marketing expenses	**44.4**	34.2
Staff cost	**37.9**	30.8
Business development expenses	**6.9**	11.0
Office expenses and others	**20.4**	14.7
Total	**243.9**	203.5

The Group's selling and distribution expenses increased by approximately 19.9% year-on-year from approximately US$203.5 million for the six months ended June 30, 2019 to approximately US$243.9 million for the six months ended June 30, 2020, which was mainly due to the increase in advertising expenses, warehousing and transportation expenses and trade marketing expenses as a result of the sales growth during the period.

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, audit and advisory fees, and (c) engineering consulting fees; (iv) office expenses; and (v) other expenses.

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

	For the six months ended June 30,	
	2020	2019
	(in US$ million)	
Staff cost	**119.4**	85.4
Professional service fee	**27.5**	27.7
Depreciation and amortization	**29.8**	24.8
Office expenses	**10.2**	12.8
Other	**33.4**	28.4
Total	**220.3**	179.1

The Group's administrative expenses increased by approximately 23.0% year-on-year from approximately US$179.1 million for the six months ended June 30, 2019 to approximately US$220.3 million for the six months ended June 30, 2020. The increase was primarily attributable to the impact of international business expansion.

Finance costs

Finance costs primarily represent (i) interest expenses on bank loans; (ii) interest expenses on lease liabilities in relation to the lease agreement for SharkNinja's new office; (iii) amortization of deferred finance costs, representing amortization of various fees associated with the bank loans; and (iv) other finance costs.

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

	For the six months ended June 30,	
	2020	2019
	(in US$ millions)	
Interest on bank loans	**21.5**	33.4
Interest on lease liabilities	**1.6**	1.5
Amortization of deferred finance costs	**32.4**	6.2
Other finance costs[4]	**3.6**	2.9
Total	**59.1**	44.0

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

Finance costs of the Group increased by approximately 34.3% year-on-year from approximately US$44.0 million for the six months ended June 30, 2019 to approximately US$59.1 million for the six months ended June 30, 2020. The increase was primarily attributable to the combined effect of lowered interest on bank loans and an acceleration of the amortization of deferred finance cost, as the Group refinanced its credit facilities in the first half of 2020 which resulted in lower interest expense, but triggering the one-time acceleration of amortization of deferred finance cost due to the replacement of the previous credit facilities.

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 the six months ended June 30, 2020. The Group's subsidiaries, Hangzhou Joyoung Household Electric Appliances Limited and Qfeeltech (Beijing) Co., Ltd, currently qualified as high and new technology enterprises under the PRC income tax law, were entitled to preferential corporate income tax rate during 2020.

During the six months ended June 30, 2020, the Group's subsidiaries in the U.S. were subject to the U.S. federal income tax at the rate of 21%, and to various U.S. state income taxes at rates ranging from 0.38% to 10.5%.

Income tax expense of the Group increased by approximately 423.5% year-on-year from approximately US$7.0 million for the six months ended June 30, 2019 to approximately US$36.9 million for the six months ended June 30, 2020. The increase was primarily attributable to the increase of profit before tax during the period.

Net profit

As a result of the foregoing reasons, net profit for the Group for the six months ended June 30, 2020 increased by approximately 387.2% from approximately US$21.9 million for the six months ended June 30, 2019 to approximately US$106.7 million for the six months ended June 30, 2020.

NON-IFRS MEASURES

To supplement the Group's consolidated statements of profit or loss which are presented in accordance with IFRS, the Group also uses adjusted net profit, EBITDA and adjusted EBITDA as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Group believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures 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 (the "**Reorganization**") in preparation for the Global Offering, and non-operational or one-off expenses and gains (each without considering tax effect). Particularly, during the six months ended June 30, 2020, the Group recorded a reduction of cost of sales amounting to US$38.1 million arising from tariff refund attributable to year 2019. Comparative amount in 2019 has also been adjusted to conform with the current presentation. 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 six months ended June 30,	
	2020	2019
	(in US$ million)	
Profit for the period	**106.7**	21.9
Add:		
Items arising from acquisition and relating to the Reorganization	***13.1***	***32.2***
Changes in carrying amount of financial liabilities associated with the put option	—	15.1
Amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja	13.1	14.5
Other reorganization related expenses	—	2.6
Non-recurring items and items not related to the Company's ordinary course of business	***14.5***	***13.1***
Stock-based compensation	25.5	2.9
Tariff refunds[1]	(38.1)	9.2
Acceleration of the amortization of deferred finance cost[2]	29.3	—
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(0.5)	—
Gain on fair value change from equity investments	(1.7)	(4.8)
Listing expenses	—	5.8
Adjusted net profit	**134.3**	67.2
Attributable to:		
Owners of the parent	**108.7**	32.9
Non-controlling interests	**25.6**	34.3
	134.3	67.2

1 During the six months ended June 30, 2020, the Group recorded a reduction of cost of sales amounting to US$38.1 million arising from tariff refund attributable to year 2019. Comparative amounts in 2019 have also been adjusted to conform with the current presentation.

2 One-off expense for the acceleration of the amortization of deferred finance cost due to the replacement of credit facilities.

	For the six months ended June 30,	
	2020	2019
	(in US$ millions)	
Profit before tax	143.6	29.0
Add:		
Finance cost	59.1	44.0
Depreciation and amortization	52.3	44.2
Bank interest income	(4.8)	(1.9)
EBITDA	250.2	115.3
Add:		
Items arising from acquisition and relating to the Reorganization	**—**	***17.7***
Changes in carrying amount of financial liabilities associated with the put option	—	15.1
Other reorganization related expenses	—	2.6
Non-recurring items and items not related to the Company's ordinary course of business	***(14.8)***	***13.1***
Stock-based compensation	25.5	2.9
Tariff refunds[1]	(38.1)	9.2
Gain on disposal of property, plant and equipment, investment property and subsidiaries	(0.5)	—
Gain on fair value change from equity investments	(1.7)	(4.8)
Listing expenses	—	5.8
Adjusted EBITDA	235.4	146.1

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) amortization of intangible assets and deferred financing costs arising from the acquisition of SharkNinja, (iii) other reorganization related expenses, (iv) stock-based compensation, (v) tariff refunds, (vi) acceleration of the amortization of deferred finance cost, (vii) gain on disposal of property, plant and equipment, investment property and subsidiaries, (viii) gain on fair value change from equity investments, and (ix) 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, our operating and financial performance, and (ii) making comparisons with other comparable companies with similar business operations but without any material acquisition.

1 During the six months ended June 30, 2020, the Group recorded a reduction of cost of sales amounting to US$38.1 million arising from tariff refund attributable to year 2019. Comparative amounts in 2019 have also been adjusted to conform with the current presentation.

Liquidity and financial resources

Inventory

The Group's inventory decreased by 19.7% from approximately US$393.1 million as of December 31, 2019 to approximately US$315.5 million as of June 30, 2020. The decrease was primarily attributable to strong sales in the first half of 2020 and the seasonality of our business since the second half of the year normally outperforms the first half in North America, Europe and China. Inventory turnover days[1] in the first half of 2020 was 75 days, compared to 71 days in 2019.

Trade and bills receivables

The Group's trade receivables decreased by 12.1% from approximately US$804.3 million as of December 31, 2019 to approximately US$706.8 million as of June 30, 2020. Such decrease was primarily attributable to seasonality of our business with the second half of the year normally outperforms the first half in North America, Europe and China. Trade receivables turnover days[2] decreased from 94 days in 2019 to 90 days in the first half of 2020.

Trade and bills payables

The Group's trade payables increased by 11.9% from approximately US$530.1 million as of December 31, 2019 to approximately US$593.1 million as of June 30, 2020. Trade payables turnover days[3] increased from 89 days in 2019 to 118 days in the first half of 2020. The increase in trade payables and trade payables turnover days was a result of strong first half sales leading to increased inventory purchases towards the end of the first half, plus an increased use of bills payable by the Joyoung segment.

During the six months ended June 30, 2020, the Group funded its operations, working capital, capital expenditure and other capital requirements primarily from (i) capital contributions by the Shareholders and third-party investors; (ii) bank borrowings; and (iii) cash generated from operations.

As of June 30, 2020, the Group had cash and cash equivalents of approximately US$299.8 million as compared to US$421.3 million as of December 31, 2019. The cash and cash equivalents of the Group are mainly denominated in RMB and US$.

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

2 Average trade and bills receivables equal trade and bills receivables (net of impairment) at the beginning of the period plus trade and bills receivables at the end of the period, divided by two. Turnover of average trade and bills receivables equals average trade and bills receivables divided by revenue and then multiplied by the number of days in the period.

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

As of June 30, 2020, the Group's total borrowings amounted to approximately US$1,170.1 million, representing an increase of approximately 8.8% compared to approximately US$1,075.3 million as of December 31, 2019. As at June 30, 2020, 9.5% and 90.5% of the Group's borrowings were denominated in RMB and US$, respectively, and the majority of the borrowings interest rates were based on floating interest rates.

The following table sets forth a breakdown of the bank borrowings of the Group as of June 30, 2020.

	As of June 30, 2020 *(in US$ million)*
Interest-bearing bank borrowings (current portion)	**37.5**
Interest-bearing bank borrowings (non-current portion)	**1,132.6**
Total	**1,170.1**

The table below sets forth the aging analysis of the repayment terms of bank borrowings as of June 30, 2020.

	As of June 30, 2020 *(in US$ million)*
Repayable within one year	**37.5**
Repayable within one to two years	**186.8**
Repayable within two to five years	**945.8**
Total	**1,170.1**

As of June 30, 2020, the Group had total bank facilities of approximately US$1,334.5 million (2019: approximately US$1,214.3 million), of which bank facilities of approximately US$150.2 million were unutilized (2019: approximately US$141.0 million).

Gearing ratio

As of June 30, 2020, the Group's gearing ratio (calculated as the total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity) was 89.3%, representing an increase of 15.1 percentage points as compared with 74.2% as of December 31, 2019. The increase was primarily attributable to combined effect of increase of bank borrowings and decrease of equity.

Foreign exchange risk

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

As of June 30, 2020, 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 exchange rates and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As the borrowings of the Group are preliminarily denominated in RMB and US$, the interest rates on its borrowings are primarily affected by the benchmark interest rates set by the People's Bank of China 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 June 30, 2020, certain equity interests in the Group's subsidiaries and certain deposits had been pledged to secure the Group's borrowings of a total amount of US$1,170.1 million. As of June 30, 2020, the total pledged assets accounted for approximately 57.7% of the total assets of the Group.

Capital expenditures

The capital expenditures of the Group consist of additions to property, plant and equipment, investment properties, prepaid land lease payments and other intangible assets (including assets from the acquisition of SharkNinja). For the six months ended June 30, 2020, capital expenditures of the Group amounted to approximately US$52.1 million (2019: US$46.0 million).

Contingent liabilities

As at June 30, 2020, the Group did not have any significant contingent liabilities.

OUTLOOK & STRATEGY

Impact of COVID-19

The 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 and will continue to be 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.

From the second quarter of 2020, the COVID-19 outbreak was under control in China and offline stores have re-opened and are back to normal operation. However, the pandemic reshaped consumer habits with the majority of offline customer traffic coming from the new business forms, i.e. shopping mall stores. In the face of this novel customer behavior in the first half of 2020, where consumers switched from offline channels to online channels, Joyoung successfully launched new products to cater to the needs of consumers via livestream selling. Joyoung's online campaign has successfully touched billions of consumers which offset the impact by the offline business and achieved growth. Meanwhile, the Company's the upstream and downstream supply chain has already recovered by the second quarter of 2020.

With the continued spread of COVID-19 to Europe and North America, consumers are staying home and cooking for themselves more often rather than eating in restaurants, and are also more focused on cleanliness and hygiene. As a result, despite the fact that many retailers closed their offline stores and are only starting to reopen them, we have seen an increase in demand for our products across all of the product categories that we sell in.

Moving forward, there is still inherent uncertainty about the future impacts of COVID-19, and it is not clear whether the increase in demand for our product categories will continue over a long period of time or will return to previous conditions. To the extent that it has a larger impact on macro-economic conditions, it could begin to negatively impact us. However, we continue to believe that we are well positioned in light of consumers' continued desire to cook at home rather than eat at restaurants, and focus on cleanliness as they spend more time at home.

Growth Strategies

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

- Develop and commercialize innovative products, combining powerful technology with appealing designs;
- Drive sustainable long-term growth through sales network and product category expansion;
- Maximize synergies between 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 U.K. and Japan, as well as the launch of the SharkNinja segment into Germany, during the first half of 2020. For French market, we have begun to hire local sales teams and started working 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 further expanding the Foodi series of products, as well as the robotic vacuum product line. The robotic vacuums launched in 2019 included advanced features such as navigation and home mapping and 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 including our newly designed Shark AI Robot. We are confident that our successful acquisition of QFeeltech will further advance our position and ability to offer cutting edge technologies in the robotics space in the years to come. In addition, we plan to launch 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, end 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 continue to promote Joyoung's new brand proposition of "Enjoying Health" in the first half of 2020, 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" by cultivating additional customers and users from emerging sales channel so as to realize the digital transformation of customers in China and loyal users. Meanwhile, 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.

Go-Forward Impact of Trade War

As a result of increased tariffs on goods imported from China into the U.S. as well as the desire to further diversify our supply chain, 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 than China, there is still a substantial cost savings that come from mitigating the imposition of the 25% tariff. In addition, on November 29, 2019, the Office of the United States Trade Representative announced exclusions from these new tariffs covering 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. On April 24, 2020, the Office of the United States Trade Representative announced exclusions from these new tariffs covering robotic designed for residential use and countertop air fryers. We believe these exclusions apply to a number of our vacuum cleaners and cooking appliances. The tariff exclusions will expire on December 31, 2020 unless otherwise extended. As a result of this continued uncertainty, we are maintaining our focus on shifting production out of China and working on initiatives to lower our product cost on those goods.

USE OF PROCEEDS FROM THE GLOBAL 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. Net proceeds from the Global 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 June 30, 2020, (i) approximately US$205 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 (the "**Prospectus**"); and (ii) unutilized proceeds of approximately US$149 million were deposited with banks.

The following table sets forth a breakdown of the utilization and proposed utilization of net proceeds as at June 30, 2020:

Purpose	**Percentage of total amount** *(approx.)*	**Net proceeds** *US$ million*	**Utilised amount** *US$ million*	**Unutilised amount** *US$ million*	**Expected timeline for usage of proceeds**
1. Repayment of bank loan	50%	178	178	—	
2. Research and development of new products and integration and development of the Company's supply chain	20%	71	18	53	By December 2021
3. Market expansion and brand enhancement	20%	71	9	62	By December 2021
4. Working capital and general corporate purposes	10%	34	—	34	By December 2021
Total	100%	354	205	149	

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 (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 unaudited interim condensed consolidated financial information for the six months ended June 30, 2020, including the accounting principles and practices adopted by the Group.

Ernst & Young, the external auditor of the Company, has reviewed the unaudited consolidated financial information of the Group for the six months ended June 30, 2020 in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board.

EMPLOYEES AND REMUNERATION POLICY

As of June 30, 2020, the Group had approximately 4,657 employees in total (as of December 31, 2019: 4,434), of which approximately 3,472 employees were with its China operation, approximately 708 employees were with its U.S. operations, and approximately 477 employees were with other countries' or regions' operations. For the six months ended June 30, 2020, the Group recognized staff costs of US$157.3 million (as of June 30, 2019: US$116.2 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 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 June 30, 2020, the Company had granted an aggregate of 129,265,801 restricted stock units, of which 31,856,190 restricted stock units were vested on May 29, 2020 in accordance with the terms and conditions of the RSU Plan.

CORPORATE GOVERNANCE PRACTICES

The Company and management of the Group are committed to the maintenance of good corporate governance practices and procedures. During the Reporting Period, 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.

After taking into consideration the factors below, the Board considers that vesting the roles of the Chairman and Chief Executive Officer in the same person, being Mr. Wang, is beneficial to the Group's business prospects and operational coordination between Joyoung and SharkNinja: 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, since the acquisition of SharkNinja, being the chairman of Joyoung and Global Chief Executive Officer of Compass Cayman SPV Limited (the holding company of SharkNinja), 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.

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 and relevant employees of the Company who are likely to possess inside information in relation to the Company or its securities due to his/her office or employment.

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

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 Reporting Period.

EXCHANGE AND CANCELLATION OF PROFIT INTEREST SHARES

As disclosed in the Prospectus, eight individuals were granted profit interest ("**PI**") shares under the management equity incentive plan of Compass Cayman SPV, Ltd. ("**Compass Cayman**"), a wholly-owned subsidiary of the Company, for the purposes of providing incentives and rewards to eligible participants who contributed to the success of its operations. On October 11, 2019, in view of the upcoming Global Offering, the Company entered into share exchange and cancellation agreements (the "**Share Exchange and Cancellation Agreements**") with Compass Cayman and each of the holders of the vested PI shares. Pursuant to the terms of the Share Exchange and Cancellation Agreements, 194.44 vested PI shares were cancelled, and exchanged to 5,481,600 shares of the Company on the six-month anniversary of the completion of the Global Offering, i.e. on June 18, 2020, and such shares were listed on the Stock Exchange.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to June 30, 2020.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended June 30, 2020.

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsgloballife.com). The 2020 interim 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, August 25, 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, Mr. Mao Wei 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.