泉峰控股有限公司
Chervon Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock Code 2285

Global Offering

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司　citi

Other Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

HSBC

Other Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International　CMBI 招銀国际

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Chervon Holdings Limited
泉峰控股有限公司

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**71,916,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**7,191,600 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**64,724,400 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$43.60 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock code	**:**	**2285**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Other Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

Other Joint Bookrunners and Joint Lead Managers

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Documents on Display – 1. Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on or about Wednesday, December 22, 2021 and, in any event, not later than Thursday, December 23, 2021. The Offer Price will be not more than HK$43.60 per Offer Share and is currently expected to be not less than HK$37.60 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, December 23, 2021 (Hong Kong time) among the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Representatives may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of our Company at https://global.chervongroup.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives if certain events shall occur prior to 8:00 a.m. on Thursday, December 30, 2021 (Hong Kong time). Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at https://global.chervongroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 17, 2021

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
100	4,403.94	2,000	88,078.71	30,000	1,321,180.72	400,000	17,615,742.88
200	8,807.88	3,000	132,118.07	40,000	1,761,574.29	500,000	22,019,678.60
300	13,211.80	4,000	176,157.43	50,000	2,201,967.86	600,000	26,423,614.32
400	17,615.74	5,000	220,196.79	60,000	2,642,361.43	700,000	30,827,550.04
500	22,019.68	6,000	264,236.14	70,000	3,082,755.00	800,000	35,231,485.76
600	26,423.62	7,000	308,275.50	80,000	3,523,148.58	900,000	39,635,421.48
700	30,827.55	8,000	352,314.86	90,000	3,963,542.15	1,000,000	44,039,357.20
800	35,231.48	9,000	396,354.21	100,000	4,403,935.72	2,000,000	88,078,714.40
900	39,635.42	10,000	440,393.57	200,000	8,807,871.44	3,000,000	132,118,071.60
1,000	44,039.36	20,000	880,787.14	300,000	13,211,807.16	3,595,800[1]	158,356,720.62

[1] Maximum number of Hong Kong Offer Shares you may apply for

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences	9:00 a.m. on Friday, December 17, 2021
Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways:[(2)]	
(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**	
(2) the designated website at **www.hkeipo.hk**	11:30 a.m. on Wednesday, December 22, 2021
Application lists open[(3)]	11:45 a.m. on Wednesday, December 22, 2021
Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[(4)]	12:00 noon on Wednesday, December 22, 2021
Application lists close[(3)]	12:00 noon on Wednesday, December 22, 2021
Expected Price Determination Date[(5)]	Wednesday, December 22, 2021
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **https://global.chervongroup.com**[(6)] on or before[(10)]	Wednesday, December 29, 2021
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – (D) Publication of Results" in this prospectus[(10)]	Wednesday, December 29, 2021
Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from[(10)]	Wednesday, December 29, 2021
Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[(7)(9)(10)]	Wednesday, December 29, 2021

Despatch/collection of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before(8)(9)(10) . . . . Wednesday, December 29, 2021

Dealings in the Shares on the Stock Exchange expected to commence(10) . . . . at 9:00 a.m. on Thursday, December 30, 2021

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 22, 2021, the application lists will not open or close on that day. See the section headed "How to Apply for Hong Kong Offer Shares – (C) Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this prospectus for more details.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares – (A) Application for Hong Kong Offer Shares – 6. Applying Through the CCASS EIPO Service" in this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, December 22, 2021 and, in any event, not later than Thursday, December 23, 2021. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and us by Thursday, December 23, 2021, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

(9) Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Offer Shares – (G) Dispatch/Collection of Share Certificates and Refund Monies – Personal Collection – (b) If you apply through the CCASS EIPO service" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – (F) Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – (G) Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, December 17, 2021 to Thursday, December 30, 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should refer to the sections headed "*Structure of the Global Offering*" and "*How to Apply for Hong Kong Offer Shares*" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Chervon Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

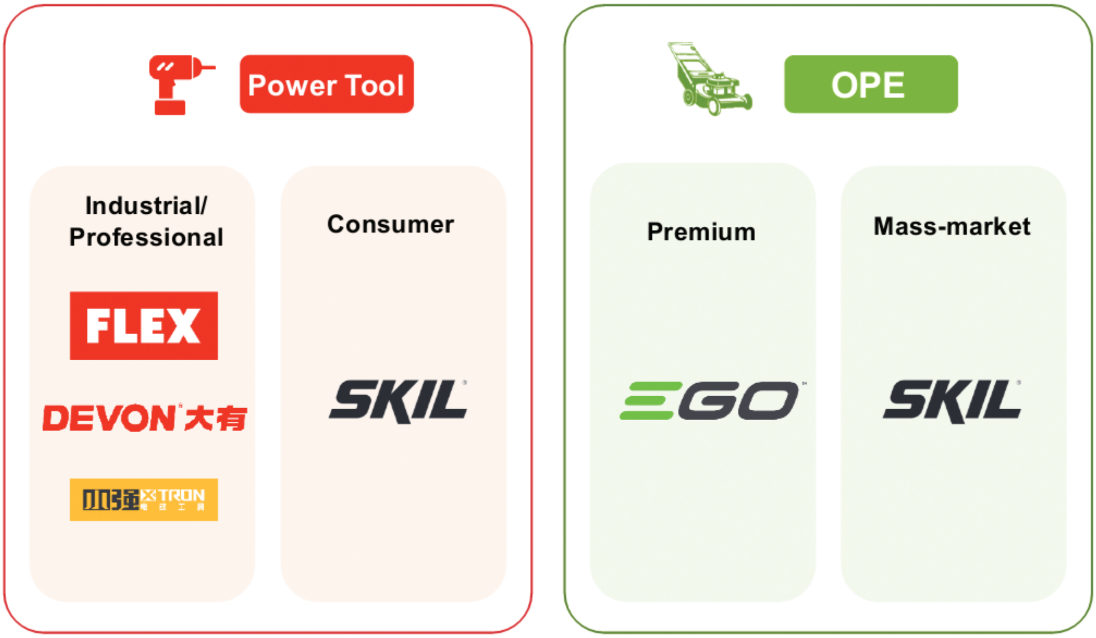
CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

WHO WE ARE

We are a global provider of power tools and outdoor power equipment ("**OPE**"). Our focus on innovation, especially lithium-ion battery system technology, has enabled us to achieve significant scale and rapid growth. According to the Frost & Sullivan Report, in 2020, we ranked the 13th and accounted for approximately 1.9% of the combined global power tool and OPE markets by revenue. We also ranked the 9th and accounted for approximately 1.7% of the global power tool market, and ranked the 10th and accounted for approximately 2.1% of the global OPE market, in each case by revenue, according to the same report. In 2020, the global electric power tools market accounted for 74.1% of the global power tools market, and the global electric OPE market accounted for 18.6% of the global OPE market, according to the Frost & Sullivan Report. Our global ranking by revenue for electric power tools rose from the 9th in 2018 to the 7th in 2020, and our global ranking by revenue for electric OPE rose quickly from the 7th in 2018 to the 2nd in 2020, according to the same source. From 2018 to 2020, our revenue from power tools grew by a CAGR of 16.9%, and our revenue from OPE grew by a CAGR of 62.8%. Please refer to the section headed "Industry Overview" of this document for further descriptions of the methodology and assumptions used in calculating market shares by revenue.

Our research and development capabilities have enabled us to seize market opportunities amidst a period of growth and rapid transformation within our industry, particularly with respect to the lithium-ion/cordless market segment. Our revenue from the lithium-ion battery powered products grew from US$347.3 million in 2018 to US$827.3 million in 2020, representing a CAGR of 54.3%. According to the Frost & Sullivan Report, end users have shown increasing preference for lithium-ion battery power tools and OPE, due to benefits such as enhanced user experience, cost-efficiency and environmental friendliness, while delivering power and performance that can rival traditional products. According to the Frost & Sullivan Report, from 2020 to 2025, the global cordless power tool market is projected to grow at a CAGR of 9.9% and the global cordless OPE market is projected to grow at a CAGR of 9.0%. Having recognized the transformative impact of lithium-ion batteries and related technologies, we focused on this industry segment and became one of the first businesses in the world to commercialize lithium-ion battery power tools in 2006 and high-voltage OPE products in 2014.



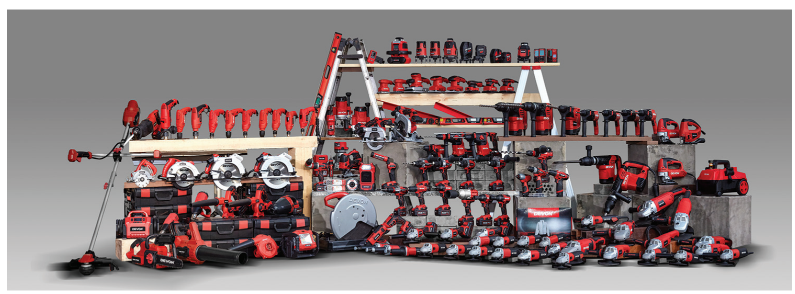
According to the Frost & Sullivan Report, power tools can be broadly defined as the type of tools that operate with additional power and mechanism other than purely manual labor. Examples include screwdrivers, drills, saws, sanders, miter saws and grinders, among others. According to the same source, OPE products can be broadly defined as tools or equipment that are primarily used for lawn, garden or yard maintenance. Examples include lawn mowers, leaf blowers, snow blowers and trimmers, among others. Please refer to the section headed "Business – Our Products" of this prospectus for further details.

OUR PRODUCTS AND BRANDS

We offer a comprehensive range of products under a portfolio of well-recognized brands, which are tailored to address the diverse needs of our end users around the world. Our power tools target both industrial/professional and consumer end users, and our OPE products target both premium and mass-market end users. We currently own five differentiated and well-recognized brands that cover key geographies and segments, namely *EGO*, *FLEX*, *SKIL*, *DEVON* and *X-TRON*. In particular, our *EGO* brand has gained strong recognition in the global electric OPE market since its establishment in 2013.

The pictures below illustrate our brands and some of our main products.

Brand	**Primary products**
EGO No. 3 in the global electric OPE market[(1)]	

Brand	Primary products
FLEX A premium professional power tool brand for industrial/professional markets with German origin from 1922	
SKIL A globally recognized heritage brand from the United States dating back to 1924, now providing a full assortment of power tools and OPE products for global consumer markets	
DEVON大有 A high-end, professional power tool brand designed for greater China and other emerging markets	
小强 XTRON 电动工具 A robust, durable and affordable brand for China market in construction and home improvement applications	

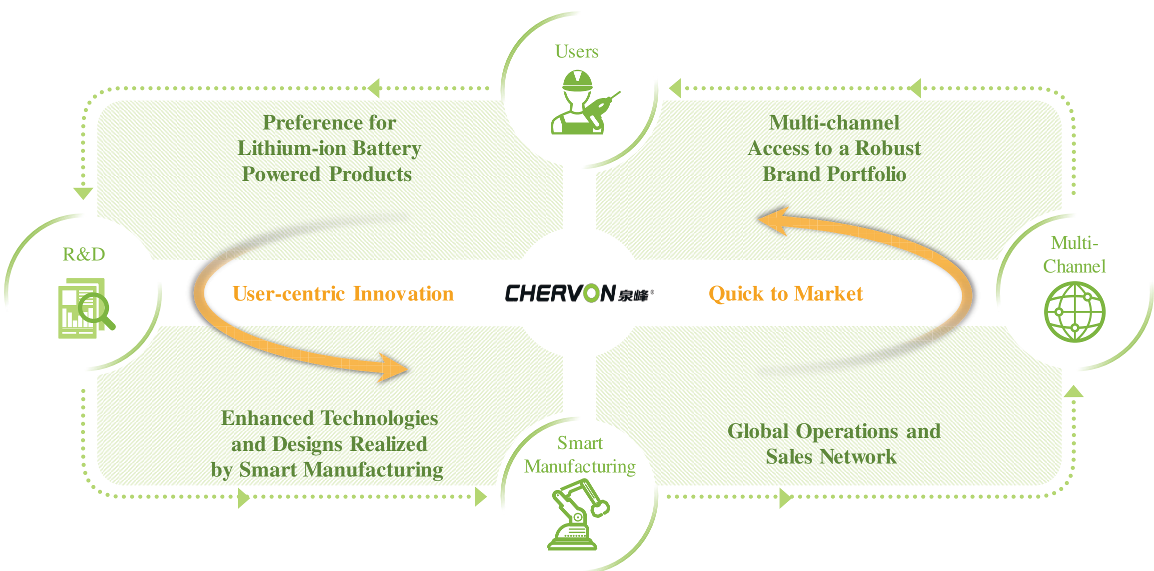
Note:

(1) *EGO* ranks No. 3 in the global electric OPE market by revenue in 2020 according to the Frost & Sullivan Report.

Our brand strategy seeks to provide comprehensive coverage and avoid overlap between market segments, based on different brand positioning, product categories, targeted customers, pricing and geographic focus. We also conduct annual product roadmap planning and routine new product reviews to avoid duplication of products across brands. Please refer to the section headed "Business – Our Proprietary Brands" for further details.

OUR BUSINESS MODEL

We will continue to focus on user-centric innovation and product offerings, which is supported by our integrated system of research and development, manufacturing and sales and distribution capabilities. Our broad end user base for lithium-ion battery powered products enables us to rapidly accumulate industry knowledge, technology know-how and end-user insights. Leveraging such knowledge and insights, we have been able to continuously introduce new products showcasing advanced technology and product design capabilities. We then produce these new, user-centric products in a consistently high-quality manner through our smart manufacturing system and distributing them through our multi-channel sales and distribution network. Our global operations and local market knowledge enable us to expand market shares and meet end user needs in our target markets. Our robust brand portfolio, which resonates with our end users, also helps solidify our market position.



Research and development. Our advanced research and development capabilities enable us to achieve advancement in fundamental technologies such as battery platforms, battery management systems ("**BMS**"), motors and electric controls. For example, our *EGO* products share our proprietary Arc-Lithium™ battery and charger system, which provides convenience and cost-savings for end-users. Since our acquisition of *FLEX* in 2013, we also introduced the *FLEX* lithium-ion battery platform, which combines intelligent battery management with THERMA-TECH™ cooling technology. We also equip our products with intelligent systems and product-specific technologies such as dust and vibration reduction to enhance user experience. Our research and development efforts are oriented towards end users' needs, which enable us to quickly introduce new products that meet market demands. We undertake multiple rounds of field tests to assess the feasibility of each product before its formal launch. We also subject our products to tests that are designed to ensure consistent quality. Our global research and development team consisted of 680 employees as of June 30, 2021 and are based in our research and development centers across five countries, namely China, the United States, Germany, the United Kingdom and the Netherlands. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our research and development costs amounted to US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million, respectively, representing 4.0%, 3.7%, 3.2%, 3.3% and 3.2% of our total revenue during the same periods. Please refer to the section headed "Business – Research and Development" for further details.

Multi-channel sales and distribution. We have established, and will continue to expand, a global multi-channel sales and distribution network that offers us effective touchpoints for end users across key markets, including North America, Europe and Asia. We collaborate with leading home centers and mass market retailers, while also partnering with qualified distributors and local retailers to diversify our sales channels and promote brand recognition. Retailers are those that purchase products from us and typically sell them directly to end-users. By contrast, distributors purchase products from us and distribute them to other third parties, which may consist of other retailers or sub-distributors, who then on-sell the products to end-users. During the Track Record Period, our products were sold to customers in more than 100 countries and regions. We have achieved substantial penetration of professional distributor networks for both electric power tools and OPE on a global scale. We have also established online sales channels for our products by collaborating with e-commerce platforms and operating our own e-stores. In addition, we design and manufacture products for certain home centers and mass market retailers, such as *Lowe's*, *Walmart and Kingfisher*, and international tool companies on an original design manufacturing ("**ODM**") basis.

Smart manufacturing. We have focused on building competitive advantages by advancing our manufacturing technologies and production management capabilities over the past 20 years. We have made long-term investments in a vertically integrated manufacturing system, which enables us to incorporate new technologies into core product components such as battery packs, motors and electric control circuits. With respect to product assembly, we have focused on promoting the application of industrial engineering and quality control technologies in our assembly lines. Our highly automated, module-based production lines enable us to fulfill high-mix and low-volume orders by quickly switching among different product specifications and customer order requirements. With respect to production management, we have significantly improved the level of automation and transparency in our logistics system by horizontally integrating our information technology systems. Meanwhile, we leverage our integrated supply chain management system to source certain raw materials, parts and components from qualified suppliers in order to maintain high quality standards.

OUR PRODUCTION FACILITIES

As of the Latest Practicable Date, we had production facilities with an annual production capacity of more than 22 million units, covering an aggregate floor area of approximately 183,000 sq.m. During the Track Record Period, we operated four production facilities, namely Nanjing, China-based *CHERVON* Industrial Park (德朔工業園) and *CHERVON* Green Power Industrial Park (泉峰新能源工業園), as well as *FLEX* Germany Plant and *CHERVON* Vietnam Plant. The production facilities house 120 production lines in total and have an aggregate designed annual production capacity of more than 16.8 million units, which offers us the scale needed to maintain stable supply to our key markets. In 2018, 2019, 2020 and the six months ended June 30, 2021, the total utilization rates of these production facilities were 96%, 90%, 91% and 92%, respectively. During the Track Record Period, the designed production capacity at our production facilities increased primarily due to our investments in purchasing additional machines and equipment. To meet increasing market demand, we have also converted three leased properties into production facilities in the third quarter of 2021, which collectively provide additional annual production capacity of approximately 5.3 million units. For further details, please refer to the section headed "Business – Production – Existing Production Facilities" in this prospectus.

PRICING STRATEGIES

We price our products for external sales based on a number of factors, including costs of raw materials and production, prevailing market conditions and specification of products. Our pricing is also affected by the global and domestic economic environment, demand for our products and market competition in the power tool and OPE industries. Our pricing strategy also takes into consideration the need for maintaining the premium status of our brands and stabilizing the prices of our products throughout their life cycles.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include retailers, distributors, e-commerce platforms and tool companies. During the Track Record Period, our top customers were primarily retailers with nationwide presence and ODM customers. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, revenue from our top five customers accounted for 51.7%, 56.8%, 64.8% and 64.4% of our total revenue for the respective periods, and revenue from our largest customer in each period during the Track Record Period accounted for 22.9%, 20.9%, 29.0%, and 39.6% of our total revenue for the respective periods. As of June 30, 2021, we had maintained business relationships with our five largest customers for three to more than 15 years.

During the Track Record Period, our top suppliers were primarily providers of battery cells, electronics parts and components and logistics and warehouse services. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, purchases from our largest five suppliers in aggregate accounted for 18.2%, 19.7%, 24.8% and 20.6% of our total purchases for the respective periods, and purchases from our largest supplier in each period during the Track Record Period accounted for 10.9%, 11.9%, 16.1% and 12.6% of our total purchases for the respective periods. Our key suppliers are primarily located in China, Korea, Germany and the United States. As of June 30, 2021, we had maintained business relationships with our five largest suppliers for five to over ten years. We generally have the flexibility to seek alternative suppliers for our sourcing needs.

OUR STRENGTHS

We attribute our success to and distinguish ourselves by the following key competitive strengths:

- Leveraging industry transformations, we are a fast-growing provider of power tools and OPE products.
- We have continuously introduced new products that are grounded in advanced technology and end-user insights.
- We have a well-recognized brand portfolio, particularly our *EGO* brand.
- We have established a highly effective multi-channel sales and distribution network with a growing emphasis on e-commerce channels.
- We have a global team with strategic vision and deep expertise.

OUR STRATEGIES

We are committed to driving sustainable long-term growth and strengthening our market position in electric power tool and OPE products through the following strategies:

- Develop and commercialize new products that combine advanced technologies with user-friendly designs;
- Expand our sales and distribution network globally with a growing emphasis on e-commerce platforms;
- Further enhance market recognition of our brands;
- Continue to expand production capacities and improve operational efficiency; and
- Invest in human capital to enhance marketing and research and development.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages and per share data)									
Revenue	690,698	100.0	843,578	100.0	1,200,902	100.0	514,359	100.0	868,797	100.0
Cost of sales	(515,173)	(74.6)	(588,325)	(69.7)	(832,190)	(69.3)	(366,701)	(71.3)	(617,688)	(71.1)
Gross profit	**175,525**	**25.4**	**255,253**	**30.3**	**368,712**	**30.7**	**147,658**	**28.7**	**251,109**	**28.9**
Other revenue	3,515	0.5	3,838	0.4	5,801	0.5	2,791	0.5	2,081	0.2
Other net (loss)/gain	(8,192)	(1.2)	943	0.1	(3,140)	(0.3)	(1,647)	(0.3)	19,754	2.4
Selling and distribution expenses	(100,527)	(14.5)	(128,083)	(15.2)	(179,447)	(15.0)	(73,411)	(14.3)	(96,418)	(11.1)
Administrative and other operating expenses	(45,378)	(6.6)	(48,932)	(5.8)	(82,843)	(6.9)	(25,280)	(4.9)	(32,614)	(3.8)
Research and development costs	(27,656)	(4.0)	(31,356)	(3.7)	(38,939)	(3.2)	(16,984)	(3.3)	(27,967)	(3.2)
(Loss)/profit from operations	**(2,713)**	**(0.4)**	**51,663**	**6.1**	**70,144**	**5.8**	**33,127**	**6.4**	**115,945**	**13.4**
Net finance costs	(17,164)	(2.5)	(19,754)	(2.3)	(17,357)	(1.4)	(8,070)	(1.5)	(7,895)	(0.9)
Share of profits of associates	4,287	0.6	9,206	1.1	6,724	0.6	155	0.0	2,801	0.3
Share of profits of a joint venture	1,176	0.2	1,233	0.1	–	–	–	–	–	–
(Loss)/profit before tax	**(14,414)**	**(2.1)**	**42,348**	**5.0**	**59,511**	**5.0**	**25,212**	**4.9**	**110,851**	**12.8**

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages and per share data)									
Income tax credit/(expense)	957	0.1	(6,266)	(0.7)	(11,123)	(1.0)	(4,721)	(0.9)	(19,612)	(2.3)
(Loss)/profit for the year/period	**(13,457)**	**(2.0)**	**36,082**	**4.3**	**48,388**	**4.0**	**20,491**	**4.0**	**91,239**	**10.5**
Attributable to:										
Equity shareholders of our Company	(14,084)	(2.1)	33,976	4.0	44,359	3.7	18,062	3.5	86,062	9.9
Non-controlling interest	627	0.1	2,106	0.3	4,029	0.3	2,429	0.5	5,177	0.6
(Loss)/profit for the year/period	**(13,457)**	**(2.0)**	**36,082**	**4.3**	**48,388**	**4.0**	**20,491**	**4.0**	**91,239**	**10.5**
Earnings per share										
Basic (US$)	(0.04)		0.09		0.11		0.05		0.21	
Diluted (US$)	(0.04)		0.09		0.11		0.05		0.21	

Non-HKFRSs Measures

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
	(In US$ thousands)				
(Loss)/profit for the year/period	(13,457)	36,082	48,388	20,491	91,239
Add:					
Listing expenses	–	–	272	–	2,122
Equity settled share–based payment expenses	–	–	21,077	–	–
Adjusted net (loss)/profit	(13,457)	36,082	69,737	20,491	93,361

We derive adjusted net profit from (loss)/profit for the year/period by excluding (i) listing expenses and (ii) equity settled share-based payment expenses.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
Adjusted net (loss)/profit margin (%)[(1)]	(2.0)	4.3	5.8	4.0	10.7

Note:

(1) Equals adjusted net (loss)/profit divided by revenue for the year/period and multiplied by 100%.

Listing expenses are one-off expenses in relation to the Global Offering. Equity settled share-based payment expenses are non-cash and non-operational in nature, and such amount may not directly correlate with the underlying performance of our business operations. Due to the non-recurring or non-cash nature of the abovementioned items, our management does not track such items as key operating or financial metrics internally when reviewing our performance since these items do not relate to our daily operation. Therefore, by eliminating the impacts of such items in the calculation of adjusted net profit, this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance from year to year.

However, the terms adjusted net profit and adjusted net profit margin are not defined under HKFRSs. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations for this non-HKFRSs measure, when assessing our operating and financial performance, you should not consider adjusted net profit or adjusted net profit margin in isolation or as a substitute for (loss)/profit for the year/period or any other operating performance measure that is calculated in accordance with HKFRSs. See the section headed "Financial Information – Non-HKFRSs Measure" in this prospectus.

Our Financial Performance

Our revenue increased from US$690.7 million in the year ended December 31, 2018 to US$1,200.9 million in the year ended December 31, 2020, representing a CAGR of 31.9%. Such robust growth was primarily due to our ability to (i) continuously introduce new products with a strategic focus on lithium-ion battery powered products, (ii) establish premium brands such as *EGO* and *FLEX*, and (iii) build strategic partnerships with leading national retailers, qualified distributors and large e-commerce platforms, particularly in the North America market. Our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the same period in 2021. The significant growth in our total revenue during this period was primarily due to increased sales of *EGO*, *FLEX* and *SKIL* products in partnership with our major customers and growth in our ODM business. Our sales volumes and average selling prices have both increased during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our sales volumes were 12.6 million, 12.7 million, 13.7 million, 5.8 million and 9.3 million, respectively. For the same years/periods, our average selling prices were US$54.87, US$66.13, US$87.62, US$88.39 and US$93.71, respectively. Please refer to the sections headed "Business – Ours Products – Revenue Breakdown" and "Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Revenue" for additional details regarding the breakdowns of revenue, gross profits, gross profit margins, average selling prices and sales volumes.

In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our gross profit was US$175.5 million, US$255.3 million, US$368.7 million, US$147.7 million and US$251.1 million, respectively.

In the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our cost of sales amounted to US$515.2 million, US$588.3 million, US$832.2 million, US$366.7 million and US$617.7 million, respectively, and represented 74.6%, 69.7%, 69.3%, 71.3% and 71.1% of our revenue for the same years or periods, respectively. From the year ended December 31, 2018 to the year ended December 31, 2020, and from the six months ended June 30, 2020 to the same period in 2021, our cost of sales declined as a percentage of revenue due to the rapid increase in sales and economies of scale.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our research and development costs amounted to US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million, respectively, representing 4.0%, 3.7%, 3.2%, 3.3% and 3.2% of our revenue during the same periods.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our selling and distribution expenses amounted to US$100.5 million, US$128.1 million, US$179.4 million, US$73.4 million and US$96.4 million, respectively, representing 14.5%, 15.2%, 15.0%, 14.3% and 11.1% of our revenue during the same periods.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our administrative and other operating expenses amounted to US$45.4 million, US$48.9 million, US$82.8 million, US$25.3 million and US$32.6 million, respectively, representing 6.6%, 5.8%, 6.9%, 4.9% and 3.8% of our revenue during the same periods.

We incurred a net loss in 2018 primarily due to (i) our increased investments in the Original Brand Manufacturing ("**OBM**") business, including marketing and research and development spending in 2018 and (ii) integration costs associated with our acquisition of the *SKIL* business. With respect to our investments in the OBM business, for example, we devoted substantial resources into developing *SKIL*-branded lithium-ion battery powered products, which did not launch in Europe market until the fourth quarter of 2018. Our gross profit margin for 2018 was also lower due to promotion of OBM products, particularly *EGO*, through price reductions in order to quickly gain market share. With respect to the *SKIL* integration costs, such costs primarily include: (a) replacing certain operational support, logistics and IT systems, (b) investing in additional research and development efforts, (c) increasing production capacity and (d) enhancing relevant marketing activities during the transition period.

For further information regarding breakdown of revenue, gross profit, gross profit margin and sales volume by product categories, business models, brands, geographic regions and sales and distribution channels, please refer to the sections headed "Business – Our Products – Revenue Breakdown," "Business – Sales, Marketing and Distribution" and "Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Revenue."

Gross Profit Breakdown

The following table sets forth a breakdown of our gross profit and gross profit margin by product category and end-user segment for the years and periods indicated.

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools	118,997	24.6	165,565	30.1	192,030	29.1	77,874	27.9	120,445	26.7
Industrial/ Professional	57,563	27.3	76,338	31.7	68,613	29.1	33,744	28.0	56,179	26.5
Consumer	61,434	22.5	89,226	28.9	123,417	29.0	44,130	27.9	64,266	26.8
OPE	55,266	27.4	88,752	30.8	175,503	32.9	68,997	29.8	130,274	31.5
Premium	50,484	28.7	71,308	33.0	155,239	33.8	63,451	30.3	112,606	33.0
Mass-market	4,782	18.6	17,444	24.4	20,264	27.2	5,546	25.0	17,668	24.4
Others(1)	1,262	21.3	936	15.8	1,179	19.2	787	19.6	390	10.6

Note:

(1) Others revenue primarily includes sales of our parts and components to a company engaging in a home appliances business.

The following table sets forth a breakdown of our gross profit and gross profit margin by OBM and ODM business models and brands for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
OBM	122,270	28.3	147,836	31.8	246,403	33.0	100,188	29.8	186,825	31.6
ODM	53,255	20.6	107,417	28.4	122,309	26.9	47,470	26.7	64,284	23.2

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical regions and sales and distribution channels under OBM model for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
North America	**64,300**	**24.9**	**87,911**	**30.7**	**178,106**	**32.5**	**65,670**	**27.8**	**137,735**	**32.5**
Retailers	57,931	24.4	80,780	30.8	163,416	33.0	61,604	27.8	124,762	33.0
Distributors	1,151	19.1	1,502	22.5	2,242	23.2	969	26.2	2,015	21.8
Pure-play e-commerce platform	5,219	34.2	5,630	31.4	12,447	28.1	3,097	28.5	10,958	29.7
Europe	**46,604**	**37.0**	**48,205**	**37.7**	**49,862**	**36.7**	**25,374**	**38.0**	**34,398**	**31.9**
Retailers	29,229	36.6	32,146	37.8	34,367	37.5	16,180	37.6	14,586	32.9
Distributors	16,965	37.5	15,800	37.8	15,252	35.1	9,061	38.7	19,420	31.0
Pure-play e-commerce platform	410	38.5	259	30.3	243	31.2	133	34.6	393	42.7
China(1)	**8,534**	**21.7**	**8,841**	**20.5**	**13,888**	**26.8**	**7,771**	**25.9**	**11,098**	**21.8**
ROW(2)	**2,832**	**36.0**	**2,879**	**37.8**	**4,547**	**45.8**	**1,373**	**46.1**	**3,594**	**45.5**

Notes:

(1) In China, we primarily sell our products to distributors. We also offer our products through pure-play e-commerce channels.

(2) In other markets to which we distribute our products, such as Australia and New Zealand, we primarily sell our products to retailers. Our practices may vary in different markets subject to the local conditions.

Please refer to the section headed "Financial Information" of this prospectus for additional details.

Summary of the Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Non-Current assets	257,931	264,263	280,348	300,757
Current assets	487,879	602,914	811,119	1,055,929
Current liabilities	529,226	608,053	701,596	947,842
Net current (liabilities)/assets	(41,347)	(5,139)	109,523	108,087
Total assets less current liabilities	216,584	259,124	389,871	408,844
Non-current liabilities	49,469	58,286	105,847	69,922
Net assets	167,115	200,838	284,024	338,922
Total equity attributable to equity shareholders of the company	149,802	182,131	259,738	338,922
Non-controlling interests	17,313	18,707	24,286	–
Total equity	167,115	200,838	284,024	338,922

We had net current liabilities of US$41.3 million and US$5.1 million as of December 31, 2018 and 2019, respectively, primarily due to our large balance of short-term bank loans that supported our investments in the OBM business, including marketing and research and development spending. We were able to record net current assets of US$109.5 million, US$108.1 million and US$159.6 million as of December 31, 2020, June 30, 2021 and October 31, 2021, respectively, primarily because revenue from our OBM business, particularly *EGO*, reached significant scales. From December 31, 2019 to December 31, 2020, changes to our net current assets were primarily attributable to (i) increases in cash and cash equivalents and trade and bills receivables and (ii) decreases in short-term bank loans, partially offset by increases in trade and bills payables, other payables and accruals and warranty provision. From December 31, 2020 to June 30, 2021, changes to our net current assets were primarily attributable to increases in cash and cash equivalents, trade and bills receivables and inventories, partially offset by increases in short-term bank loans, trade and bills payables and other payables and accruals. From June 30, 2021 to October 31, 2021, changes to our net current assets were primarily attributable to increases in inventories and financial assets at FVPL, partially offset by a decrease in cash and cash equivalents.

Selected Consolidated Cash Flows Data

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
	(in US$ thousands)				
Net cash flow generated from operating activities	8,143	39,577	133,729	66,257	89,102
Net cash flow (used in)/generated from investing activities	(21,940)	(25,458)	(15,660)	(10,075)	687
Net cash flow from/(used in) financing activities	35,018	7,568	(50,433)	(18,108)	(19,086)
Net increase in cash and cash equivalents	**21,221**	**21,687**	**67,636**	**38,074**	**70,703**
Cash and cash equivalents at the beginning of the year	54,798	73,266	94,064	94,064	166,937
Effect of foreign exchange rate changes, net	(2,753)	(889)	5,237	(1,775)	942
Cash and cash equivalents at the end of year/period	**73,266**	**94,064**	**166,937**	**130,363**	**238,582**

KEY FINANCIAL RATIOS

The following table sets forth the major financial ratios as at the end of each of the reporting periods:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
Profitability:					
Gross profit margin(1)	25.4%	30.3%	30.7%	28.7%	28.9%
Net profit margin(2)	(2.0)%	4.3%	4.0%	4.0%	10.5%
Rates of Return:					
Return on assets(3)	(1.8)%	4.2%	4.4%	N/A(5)	N/A(5)
Return on equity(4)	(8.1)%	18.0%	17.0%	N/A(5)	N/A(5)

Notes:

(1) Equals gross profit divided by revenue for the year/period and multiplied by 100%.

(2) Equal net profit divided by revenue for the year/period and multiplied by 100%.

(3) Equals net profit divided by total assets at the end of the year/period and multiplied by 100%.

(4) Equals net profit divided by total equity at the end of the year/period and multiplied by 100%.

(5) This interim period number is not meaningful as it is not comparable to the annual numbers.

	As of December 31,			As of June 30,
	2018	2019	2020	2021
Liquidity:				
Gearing ratio(1)	2.1	1.9	1.2	1.2
Net debt to capital ratio(2)	1.5	1.3	0.6	0.4
Current ratio(3)	0.9	1.0	1.2	1.1
Quick ratio(4)	0.5	0.5	0.7	0.7

Notes:

(1) Equals total debt (including bank loans and lease liabilities) divided by total equity as of the respective end date for the year/period.

(2) Equals net debt divided by total equity as of the respective end date for the year/period. Net debt is calculated as total debt (including bank loans and lease liabilities) less cash and cash equivalents and pledged deposits.

(3) Equals total current assets divided by total current liabilities as of the respective end date for the year/period.

(4) Equal total current assets less inventory and divided by total current liabilities as of the respective end-date for the year/period.

We were able to achieve a net profit margin of 4.3% and 4.0% in 2019 and 2020, primarily due to (i) the growth of sales from products targeting industrial/professional and premium end users, such as *EGO* OPE products and *FLEX* power tools, which usually have higher profit margins, and (ii) improvement in our operational efficiency achieved by economies of scale. For the same reasons, our cash flows from operating activities also improved since 2019. Our net profit margin increased significantly from 4.0% in the six months ended June 30, 2020 to 10.5% in the six months ended June 30, 2021, primarily due to (i) a one-time gain from disposal of our equity interests in Jiuhao Electromechanical, (ii) higher gross margin due to increased sales from industrial/professional and premium products, such as *EGO* OPE products and *FLEX* power tools and (iii) the decrease in selling and distribution expenses, administrative and other operating expenses and research and development expenses as a percentage of revenue due to economies of scale. During the Track Record Period, the principal business of Jiuhao Electromechanical was to hold a property for leasing, and we disposed of the entity to simplify the Group's corporate structure in preparation for public listing.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our industry and business; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering. We believe that the most significant risks we face include:

- Changes in customer and end-user preferences, inability to maintain mutually beneficial relationships with large customers, inventory reductions by customers, and inability to penetrate new channels of distribution could adversely affect our business.

- The inability to develop and introduce new products at favorable margins, or low customer demand for new products, could adversely impact our competitiveness, performance and prospects for future growth.

- We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected.

- Our historical revenue and profit margin may not be indicative of our future revenue and profit margin.

- Unfavorable economic and geopolitical conditions in the markets in which we operate, such as the trade tensions between China and the United States, may adversely affect our sales.

A detailed discussion of all the risk factors involved are set forth in the section headed "Risk Factors" in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

COMPETITION

The power tools and OPE industries are relatively concentrated and highly competitive, and we face competition in all aspects of our business. We generally compete with other global and domestic leaders in the power tool and OPE industries. As confirmed by our Industry Consultant, despite the relative concentration of the industry, there are more than 1,000 market players in the global power tool and OPE markets. We compete on the basis of what we consider to be the principal competitive factors in our industry, including our reputation for product quality, emphasis on product innovation and development, the breadth of our product lines, our well-known brands and our strong customer relationships and after-sales services. We also experience significant competition for highly skilled personnel, including management, engineers, designers and product managers, as our growth depends in part on our ability to retain our existing personnel and recruit highly skilled employees.

According to the Frost & Sullivan Report, the global power tool market is expected to grow at a CAGR of 5.5% from US$39.2 billion in 2020 to US$51.3 billion by revenue in 2025, and the electric power tool segment is expected to grow at a CAGR of 5.9% from US$29.1 billion to US$38.6 billion in 2025, in each case by revenue. In 2020, we represented 1.7% of the global power tool market and 2.3% of the global electric power tool market by revenue. The competitive landscape of global electric power tool market is relatively concentrated, as the top 10 players accounted for approximately 73.3% of market shares by revenue in 2020. Set forth below are descriptions and market shares (by revenue) of the top five market players in the global electric power tool market.

Rank	Company	Market Share
1	Company A(1)	16.6%
2	Company B(2)	16.0%
3	Company C(3)	14.9%
4	Company D(4)	6.9%
5	Company E(5)	6.3%

Notes:

(1) Founded in 1985, Company A (Hong Kong Stock Exchange-listed) offers power tools, accessories, hand tools, outdoor power equipment, and floorcare equipment. Company A maintains a global manufacturing (across Europe, North America, China, Mexico and Vietnam) and product development footprint with over 48,000 employees. (Sources: Frost & Sullivan Report; Company A's annual report and official website.)

(2) Founded in 1886, Company B is a leading Stuttgart, Germany-based, global supplier of technology and services focusing on automobile parts and components, industrial products and construction products. Company B operates four business sectors: mobility solutions, industrial technology, consumer goods and energy and building technology. As of December 31, 2020, Company B had roughly 395,000 employees and operated in more than 400 locations across 60 countries. Company B has manufacturing footprints across Europe, North America and China. (Sources: Frost & Sullivan Report; Company B's official website.)

(3) Founded in 1843, Company C (NYSE-listed) is a U.S.-based global provider of hand tools, power tools and related accessories, engineered fastening systems and products, services and equipment for oil & gas and infrastructure applications, commercial electronic security and monitoring systems, healthcare solutions, and automatic doors. As of January 2, 2021, Company C had approximately 53,100 employees in over 60 countries. Company C has manufacturing footprints across Europe, North America and Asia. (Sources: Frost & Sullivan Report; Company C's annual report and official website.)

(4) Founded in 1915, Company D (Tokyo Stock Exchange-listed) is a Japan-based global manufacturer of power tools, gardening equipment, and similar products. As of March 31, 2021, Company D had approximately 18,624 employees. Company D has manufacturing footprints across Japan, China, the U.S., the U.K., Germany, Brazil, Romania and Thailand. (Sources: Frost & Sullivan Report; Company D's official website.)

(5) Founded in 1941, Company E is a Schaan, Liechtenstein-based provider of power tools, system solutions, software and services. Company E's products cover powder-actuated fastening, drilling and demolition, diamond coring and cutting, measuring, firestop, screw fastening, adhesive and mechanical anchoring, and strut and hanger systems. Company E has approximately 30,000 employees in more than 120 countries. Company E has manufacturing footprints across Europe, North America, China and India. (Sources: Frost & Sullivan Report; Company E's official website.)

According to the same report, the global OPE market is expected to grow at a CAGR of 5.3% from US$25.0 billion in 2020 to US$32.4 billion by revenue in 2025, and the electric OPE market is expected to grow at a CAGR of 8.0% from US$4.7 billion in 2020 to US$6.9 billion in 2025, in each case by revenue. We represented 2.1% of the global OPE market and 11.4% of the global electric OPE market. The competitive landscape of global electric OPE market is highly concentrated, as the top 10 players accounted for approximately 88.4% of market shares by revenue in 2020. Set forth below are descriptions and market shares (by revenue) of the top five market players in the global electric OPE market.

Rank	Company	Market Share
1	Company A	20.4%
2	Our Company	11.4%
3	Company C	10.4%
4	Company B	10.4%
5	Company J[(1)]	10.1%

Note:

(1) Founded in 2002, Company J is a PRC-based provider of outdoor power equipment for both consumers and landscaping professionals. Company J also manufactures private label products, as well as other products as original equipment manufacturers. Company J has manufacturing footprints across China and the U.S. (Sources: Frost & Sullivan Report; Company J's official website.)

Please refer to the section headed "Industry Overview – Competitive Landscape" for further details.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$40.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$2,749.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

In line with our strategies, we intend to use our proceeds from the Global Offering for the following purposes assuming the Offer Price is fixed at HK$40.60 per Offer Share (being the mid-point of the indicative Offer Price range):

Amount	Approximate % of Total Estimated Net Proceeds	Intended Use
(HK$ in Million)		
1,829.7	66.5	Expansion of and upgrade of our production facilities
247.4	9.0	Research and development of our products
191.9	7.0	Compensation for additional sales and marketing staff and advertising and promotional activities in key markets such as North America, Europe and China
205.6	7.5	Repaying interest-bearing bank borrowings
274.9	10.0	Working capital and other general corporate purposes

The allocation of the proceeds outlined above will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or lower level compared to the mid-point of the estimated Offer Price range or the Over-allotment Option is exercised. If the Offer Price is fixed at a higher level compared to the mid-point of the estimated Offer Price range or the Over-allotment Option is exercised, not more than 10.0% of the net proceeds will be used for working capital and other general corporate purposes. For details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus.

PRE-IPO INVESTMENT

Our pre-IPO investor, Nanjing Ruxin Enterprise Management Partnership (Limited Partnership) ("**Nanjing Ruxin**"), invested in our Company pursuant to an investment agreement dated January 29, 2021, the consideration under which was fully settled on March 29, 2021. Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Nanjing Ruxin's shareholding in our Company will represent approximately 0.81% of the issued share capital of our Company. For further details, please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investment" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Pan through Panmercy will control an aggregate of 54.3% of the issued share capital of our Company. Therefore, Mr. Pan and Panmercy will be our Controlling Shareholders.

DIVIDEND POLICY

We have adopted a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of our total net profit attributable to us for any particular year. Assuming the Listing occurs in 2021, 2022 will be the first year for which our total net profit attributable to us will be used for purposes of declaring and paying dividends in accordance with the aforementioned general annual dividend policy. The declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our Shareholders. On December 1, 2018, July 1, 2020 and January 31, 2021, the Board approved certain dividends, and the dividends payable to equity shareholders were US$4.5 million, nil, US$3.7 million and US$15.0 million during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively. As of the Latest Practicable Date, the approved dividends have been paid. Dividends declared in the past are not indicative of our future dividend policy. In addition, our Directors may reassess our dividend policy in the future. See the section headed "Financial Information – Dividend Policy" in this prospectus for more details.

GLOBAL OFFERING STATISTICS

	Based on Offer Price of HK$37.60 per Share	**Based on Offer Price of HK$43.60 per Share**
Our Company's market capitalization upon completion of the Global Offering(1)	HK$18,026.6 million	HK$20,903.2 million
Unaudited pro forma adjusted net tangible assets per ordinary Share(2)	HK$10.81	HK$11.71

Notes:

(1) The calculation of the market capitalization is based on 479,431,411 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II and on the basis of 479,431,411 Shares in issue at the respective Offer Price of HK$37.60 and HK$43.60, assuming that the Shares issued pursuant to the Global Offering were issued on June 30, 2021 (assuming the Over-allotment Option is not exercised).

The Shares held by our Controlling Shareholders will be subject to a 12-month lock-up upon Listing, and the other existing Shareholders will be subject to a six-month lock-up with respect to the Shares they beneficially own. Please refer to the section headed "Underwriting" for further details.

LISTING EXPENSES

Assuming an Offer Price of HK$40.60 per Share (being the mid-point of the proposed Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses are estimated to be HK$170.3 million, representing approximately 5.8% of the gross proceeds from the Global Offering. The estimated listing expenses consist of (i) underwriting-related expenses (including underwriting fees and commissions) of HK$109.5 million, (ii) fees and expenses of legal advisers and accountants of HK$47.8 million and (iii) other fees and expenses of HK$13.0 million. HK$2.1 million and HK$16.5 million have been recognized as administrative expenses in our consolidated statements of profit or loss for the year ended December 31, 2020 and six months ended June 30, 2021 and after the Track Record Period, respectively, and HK$151.7 million is expected to be accounted for as a deduction from equity directly upon Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amounts may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our financial results in 2021.

IMPACT OF THE COVID-19 PANDEMIC

The outbreak of the coronavirus disease 2019 ("**COVID-19**"), which was declared a "pandemic" by the World Health Organization in March 2020, and its continued spread worldwide has introduced uncertainty and volatility in global markets. The outbreak has resulted in restrictions on travel, public transport and prolonged closures of workplaces which has had and may continue to have a material adverse effect on the global economy and may cause interruptions to our business. Furthermore, the COVID-19 pandemic and the resultant restrictions and closures may impact demand, supply and efficient functioning of markets.

While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak. In the first quarter of 2020, a substantial number of our production facilities and offices were closed for certain days. Specifically, our production facilities in Nanjing were closed for 13 days, and our production facility in Germany was closed for 12 days. As a result, our production volume has decreased in the first quarter of 2020. Furthermore, the COVID-19 pandemic has affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 outbreak in the beginning of 2020. By April 2020, these suppliers had resumed their normal delivery of components. The cost and time for transportation of our products in certain regions of the world also increased as a result of the impact of the COVID-19 pandemic. Furthermore, our overseas offices in North America and Europe were also temporarily closed for certain periods from February to April 2020.

In July 2021, a number of positive COVID-19 cases appeared in certain areas of Nanjing, PRC, where a majority of our production facilities and offices are located, and Yangzhou, PRC, where a number of our suppliers are located. In July and August of 2021, our production facilities and offices in Nanjing remained open and we have imposed social distancing, mask-wearing and mandatory virus testing requirements for our employees. However, for certain weeks in July and August 2021, some of our employees were subject to temporary stay at home orders and travel restrictions, and one of our main warehouses suspended operations for 16 days. Some of our suppliers also suspended operations or reduced production levels during such period. As a result, the outbreak caused delays to our supply chain, production schedule and product delivery. In addition, due to the impact of the pandemic, our manufacturing facility in Vietnam suspended operations for 8 days in July and August 2021, and gradually resumed production since August 2021. In the six months ended June 30, 2021, the designed annual production capacity of the Vietnam plant accounted for approximately 5% of our aggregate designed annual production capacity. In the third quarter of 2021, we have converted three leased properties into production facilities. Given the establishment of additional production facilities, our production capacity has increased since August 2021. As a result of the impact of the COVID-19 cases in Nanjing and Yangzhou, PRC and Vietnam, our revenue growth for the third quarter of 2021 has slowed down compared to prior periods. Our revenue increased by US$41.0 million, or 13.3%, from US$307.2 million for the three months ended September 30, 2020 to US$348.2 million for the same period in 2021. In comparison, our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the six months ended June 30, 2021.

We believe that the COVID-19 pandemic has not had a material adverse impact on our results of operations. Our revenue increased by 42.4% from US$843.6 million in 2019 to US$1,200.9 million in 2020, and by 68.9% from US$514.4 million in the six months ended June 30, 2020 to US$868.8 million in the same period in 2021. In the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, the utilization rates of our production facilities remained relatively stable at 96%, 90%, 91% and 92%, respectively. Furthermore, we generally did not incur penalties or charges for delays of product delivery caused by the COVID-19 pandemic, and our customer relationships have remained stable during the Track Record Period and up to the Latest Practicable Date.

At this point, we cannot accurately predict what effects the COVID-19 pandemic would have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities. For further details, please refer to the section headed "Risk Factors – Risks Related to Our Industry and Business – Our business may be affected by the occurrence of contagious diseases, such as COVID-19" in this prospectus.

IMPACT OF THE U.S.-CHINA TRADE TENSION

Our business is subject to the risk of U.S.-China trade tensions. The ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States imposed on PRC imports have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. In 2018, 2019, 2020 and the six months ended June 30, 2021, 37.1%, 32.5%, 36.7% and 22.8% of our revenue was attributable to sales that were subject to U.S. tariffs, respectively. The majority of our products sold to the U.S. were List 4 products, and the tariff rates for almost all of our List 4 products were zero from January 2018 to August 2019. Beginning on September 1, 2019, the tariff rate for List 4 products was raised to 15%. In January 2020, United States and PRC signed a phase one trade deal upon which tariffs of 15% that had been imposed on certain List 4 products from September 2019 were reduced to 7.5% and the tariffs to be imposed on the remainder of List 4 products were delayed indefinitely. The tariffs have remained as of the date of this prospectus which make Chinese goods more expensive and have led U.S. companies to shift some purchases to other countries such as Vietnam. A substantial portion of our products exported to the United States and the materials required for production of our products are considered as “List 4 products” of the Section 301 action undertaken by the United States Trade Representative and are subject to the increased tariffs. In 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, our duty costs relating to U.S. tariffs were US$0.6 million, US$8.5 million, US$28.4 million, US$15.5 million and US$7.9 million, respectively. We cannot assure you that we will be able to fully offset the impact of tariffs on our financial condition, results of operations or cash flows. Please refer to the section headed “Risk Factors – Unfavorable economic and geopolitical conditions in the markets in which we operate, such as the trade tensions between China and the United States, may adversely affect our sales” in this prospectus for additional details.

Nonetheless, our products do not involve sensitive technologies or functions, and we have no reason to believe that the U.S. government would impose import restrictions on our products. Furthermore, as we are a provider of power tools and OPE products, we do not believe that our business would adversely affect the national interests of the United States, and therefore, we do not expect that the U.S. government would impose export restrictions on the raw materials or components sourced by us. In the event that the U.S. government imposes such export restrictions, we believe we will be able to find suitable alternative suppliers at reasonable costs and in a timely manner. Therefore, the Directors are of the view that the U.S.-China trade tension are unlikely to impede our ability to carry out our business with customers or collaboration with partners in North America, or to have a material adverse impact on our operations and financial performance in the near future. Having regard to the due diligence conducted, nothing has come to the attention of the Joint Sponsors which would cast doubt on the Director’s view that the U.S.-China trade tension is not likely to impede the Company’s ability to carry out its business with customers/collaboration partners in North America or its operations and financial performance in the near future.

As contingency measures to mitigate the potential impact of intensifying U.S.-China trade tensions, we will continue to explore expanding sales channels in Europe, China, Australia and other markets. In addition, we have recently established companies in the United Kingdom and New Zealand in order to better serve local customers and markets. We may consider expanding the production capacity in our Vietnam-based facility, and we have also undertaken feasibility studies over establishing additional factories in North America and Europe. Furthermore, we sought to mitigate the impact of the costs associated with U.S. tariffs primarily by (i) promoting new products with higher margins that partially cover the tariff costs, (ii) sharing tariff costs with customers or suppliers, and (iii) raising selling prices of products subject to tariffs where appropriate, taking into consideration factors such as foreign exchange rates and raw material prices. We share tariff costs with customers and suppliers only through contractual terms that are mutually agreed upon with such customers or suppliers. We negotiated with such customers or suppliers in good faith in relation to the tariff costs. Accordingly, we believe the sharing of tariff costs with customers or suppliers has not impeded, and we do not expect it to impede, our ability to carry out business with our customers or suppliers. However, we cannot provide assurances that these efforts will be effective or achieve desired outcome. If our contingency measures to mitigate the potential impact of intensifying U.S.-China trade tensions are not effective or do not achieve desired outcome, our business operations and financial performance may be materially and adversely affected. Please refer to the section headed "Risk Factors – We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected" in this prospectus for additional details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2021, and there is no event since June 30, 2021 which would materially and adversely affect the audited financial information as set out in Appendix I to this prospectus. Please refer to the section headed "Summary – Recent Development" for information relating to our operations and financial performance subsequent to the Track Record Period.

RECENT DEVELOPMENTS

Nine months ended September 30, 2021 compared with nine months ended September 30, 2020

Our revenue increased by 48.1% from US$821.5 million for the nine months ended September 30, 2020 to US$1,217.0 million for the nine months ended September 30, 2021, primarily due to increased sales of *EGO*, *FLEX* and *SKIL* products in partnership with our major customers.

Our gross profit increased by 41.3% from US$246.7 million for the nine months ended September 30, 2020 to US$348.6 million for the nine months ended September 30, 2021. The gross profit from our power tool products increased by 29.0% from US$138.0 million for the nine months ended September 30, 2020 to US$178.0 million for the nine months ended September 30, 2021. The gross profit from our OPE products increased by 58.0% from US$107.6 million for the nine months ended September 30, 2020 to US$170.0 million for the nine months ended September 30, 2021.

The financial data of our Group for the nine months ended September 30, 2021 disclosed above are derived from our unaudited interim financial statements for the nine months ended September 30, 2021, which have been prepared under in accordance with the Hong Kong Accounting Standard 34, "Interim Financial Reporting," and reviewed by our Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

Convertible Bond Purchase

On August 3, 2021, Chervon Auto Precision Technology announced that it has obtained approval from the CSRC to issue public A-share convertible bonds in an aggregate principal amount of RMB620 million (US$97.3 million) with a maturity date on the sixth year after the date of issuance. Pursuant to the terms of the convertible bond offering, an existing shareholder of Chervon Auto Precision Technology has pre-emptive rights to subscribe for the convertible bonds in an amount up to the proportional interests of such shareholder in Chervon Auto Precision Technology. As of September 30, 2021, Chervon (China) Investment, which is our wholly-owned subsidiary and owns 23.12% of Chervon Auto Precision Technology, has exercised and paid for such pre-emptive rights to subscribe for RMB118.5 million (US$18.6 million) of the principal amount of the convertible bond. As the convertible bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the Global Offering. Chervon Auto Precision Technology is owned as to 35.75% by Chervon Precision Technology, which is an indirect subsidiary of Panmercy. As such, Chervon Auto Precision Technology is an associate of Panmercy and therefore our connected person under Rule 14A.13(3) of the Listing Rules. Please refer to the section headed "Connected Transactions" of this prospectus for further details.

Temporary Power Restrictions

In September and October of 2021, certain regions of China experienced power shortages due to rising coal prices and governmental mandates to reduce carbon emissions, which resulted in delays in production for manufacturers in the relevant regions. Our production facilities based in Nanjing were subject to temporary power restrictions imposed by the relevant utilities providers intermittently for approximately two weeks, from October 5 to 21, 2021. However, such restrictions have not resulted in a material adverse impact on our volume of production or business operations. We purchased additional electricity generators and implemented measures to reduce our energy consumption. Such additional generators produced electricity through diesel fuel. We also used solar power to supplement our electricity supply. In addition, as we maintained a sufficient inventory of parts and components and the duration of power restrictions was limited, such restrictions did not have a material adverse impact on our production and delivery of finished products.

During the period of temporary power restrictions, the relevant utilities providers imposed limits on their supply of electricity to us, but not on our power usage. In particular, the relevant utilities providers did not prohibit the use of additional electricity generators. As advised by our PRC Legal Adviser, PRC law does not prohibit us from obtaining and using electricity generators. Therefore, our action of obtaining extra power sources by additional in-house electricity generators is legal and does not constitute a potential circumvention of any legal or regulatory restriction.

In the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, our electricity costs were US$2.5 million, US$2.6 million, US$3.2 million and US$3.1 million, respectively, representing 0.5%, 0.4%, 0.4% and 0.4% of our cost of sales, respectively. Given the relatively small contribution of electricity costs to our overall cost structure, our Directors are of the view that recent adjustments in electricity pricing will not have a material adverse effect on our business operations and financial condition.

As at the Latest Practicable Date, we had not experienced any material delay in delivery of raw materials from our suppliers or material delay in product delivery by us to our customers due to the recent electricity shortage and our business operations and financial condition had not been materially affected by the recent electricity shortage or increase in electricity prices in the PRC.

In early November 2021, the State Grid Corporation of China, which is China's primary operator of power grids nationwide, announced that electricity supplies have returned to normal. We believe the power shortage and restrictions have not resulted in a material adverse impact on our business operations and financial performance during the Track Record Period and up to the Latest Practicable Date.

Impact of the COVID-19 Pandemic

Please refer to the section headed "– Impact of COVID-19 on Our Operations" for further details regarding the impact of recent COVID-19 cases on our operations and financial performance.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under director or indirect common control with such specified person
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on December 8, 2021 with effect from the date on which this prospectus and **GREEN** Application Form (together with the other documents required) are submitted to the Registrar of Companies in Hong Kong and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chervon Auto Precision Technology"	Nanjing Chervon Auto Precision Technology Co., Ltd. (南京泉峰汽車精密技術股份有限公司), a company established in the PRC with limited liability on March 19, 2012 whose shares are listed on the Shanghai Stock Exchange (stock code: 603982.SH) and is held by Chervon Precision Technology Holdings Company Limited, a subsidiary of Chervon Global, as to 35.75% and Chervon (China) Investment as to 23.12%
"Chervon (China) Investment"	Chervon (China) Investment Co., Ltd* (泉峰(中國)投資有限公司), a company established in the PRC with limited liability on August 2, 2016 and a direct wholly-owned subsidiary of our Company
"Chervon (China) Tool Sales"	Chervon (China) Tools Sales Co., Ltd.* (泉峰(中國)工具銷售有限公司), a company established in the PRC with limited liability on June 28, 2010 and an indirect wholly-owned subsidiary of our Company
"Chervon Global"	Chervon Global Holdings Limited, a company incorporated in the BVI with limited liability on July 30, 2009 and is held by Panmercy as to 66.72%, Green Hope as to 24.67%, Klamm as to 6.85%, Vision Easy Investments Limited as to 1.14%, Above Success Developments Limited as to 0.42% and Mr. Francois D Sicart as to 0.20%
"Chervon HK"	Chervon (HK) Limited (泉峰(香港)有限公司), a company incorporated in Hong Kong with limited liability on November 8, 2010 and a direct wholly-owned subsidiary of our Company
"Chervon International Trading"	Nanjing Chervon International Trading Co., Ltd.* (南京泉峰國際貿易有限公司), a company established in the PRC with limited liability on January 10, 1994, the predecessor of our Group
"Chervon Management Services"	Chervon (Nanjing) Management Services Co., Ltd.* (泉峰(南京)管理服務有限公司), a company established in the PRC with limited liability on February 2, 2021
"Chervon NA"	Chervon North America, Inc., a company incorporated in the U.S. with limited liability on February 25, 2005 and an indirect wholly-owned subsidiary of our Company

"Chervon Vietnam"	Chervon Industry (Vietnam) Company Limited (泉峰實業(越南)有限公司), a company incorporated in Vietnam with limited liability on January 21, 2020 and an indirect wholly-owned subsidiary of our Company
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our Company", "we" or "us"	Chervon Holdings Limited, a company incorporated in Hong Kong with limited liability on February 19, 1999
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and except where the content requires otherwise, refers to Mr. Pan and Panmercy
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EGO Europe"	EGO Europe GmbH, a company incorporated in Germany with limited liability on November 20, 2015 and an indirect wholly-owned subsidiary of our Company
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Flex EL"	Flex Elektrowerkzeuge GmbH, a company incorporated in Germany with limited liability on November 27, 1980 and an indirect wholly-owned subsidiary of our Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant
"Global Offering"	the Hong Kong Public Offering and the International Offering

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Green Hope"	Green Hope Limited (翠鴻有限公司), a company incorporated in Hong Kong with limited liability on June 11, 2007
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified in the **IPO App** and on the designated website at **www.hkeipo.hk**
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards, amendments and related interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 7,191,600 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as set out in the section headed in "Underwriting – Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 15, 2021, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Representatives, the Hong Kong Underwriters and our Company
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
"Industry Consultant"	Frost & Sullivan
"International Offer Shares"	the 64,724,400 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" of this prospectus
"International Underwriters"	the group of underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Representatives, the International Underwriters and our Company on or about the Price Determination Date
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Jiuhao Electromechanical"	Nanjing Jiuhao Electromechanical Industry Co., Ltd.* (南京玖浩機電實業有限公司), a company established in the PRC with limited liability on July 12, 2016
"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus

"Joint Global Coordinators"	the joint global coordinators in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Lead Managers"	the joint lead managers in the section headed "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Representatives"	China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited
"Klamm"	Klamm Limited (宗谷有限公司), a company incorporated in Hong Kong with limited liability on May 4, 2007 and wholly owned by Mr. Ke Zuqian
"Latest Practicable Date"	December 7, 2021 being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, December 30, 2021 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"MOFCOM"	Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"Mr. Pan"	Mr. Pan Longquan (潘龍泉), our principal founder, executive Director, Chief Executive Officer, Chairman and our Controlling Shareholder
"Nanjing Bovon"	Nanjing Bovon Power Tools Co., Ltd.*, (南京搏峰電動工具有限公司), a company established in the PRC with limited liability on January 30, 2007 and an indirect wholly-owned subsidiary of our Company, which was deregistered on September 22, 2021
"Nanjing Chervon Industry"	Nanjing Chervon Industry Co., Ltd.* (南京德朔實業有限公司), a company established in the PRC with limited liability on September 26, 1997 and a direct wholly-owned subsidiary of our Company

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$43.60 and expected to be not less than HK$37.6
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 10,787,400 Shares at the Offer Price to cover over-allocations in the International Offering, if any
"Panmercy"	Panmercy Holdings Limited (德潤控股有限公司), a company incorporated in Hong Kong with limited liability on May 23, 2007 and our Controlling Shareholder
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Jia Yuan Law Offices, our legal adviser as to the laws of the PRC
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the pricing of the Offer Shares
"Price Determination Date"	the date, expected to be on or about Wednesday, December 22, 2021, on which the Offer Price will be determined and, in any event, not later than Thursday, December 23, 2021
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure – The Reorganization" in this prospectus
"Reporting Accountants"	KPMG, Certified Public Accountants, Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange People's Republic of China (中華人民共和國外匯管理局)
"SAFE Circular No. 37"	the "Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles" (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE with effect from July 4, 2014
"SAIC"	State Administration of Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation (國家市場監督管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Registrar"	Tricor Investor Services Limited
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares in the share capital of our Company
"Skil B.V."	Skil B.V., a company incorporated in the Netherlands with limited liability on August 12, 2016 and an indirect wholly-owned subsidiary of our Company
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"Stabilization Manager"	China International Capital Corporation Hong Kong Securities Limited
"Stock Borrowing Agreement"	the agreement expected to be entered into on or around the Price Determination Date between the Stabilization Manager and/or its affiliates and Panmercy, pursuant to which the Stabilization Manager may, on its own or through its affiliates, request Panmercy to make available to the Stabilization Manager or its affiliates up to a total of 10,787,400 Shares to cover over-allocations in the International Offering

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Track Record Period"	the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021
"UK"	the United Kingdom of Great Britain and Northern Ireland
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"%"	per cent.

* *For identification purposes only*

In this prospectus, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

This glossary contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"AC"	alternating current
"AI"	artificial intelligence
"APAC"	Asia Pacific
"B2B"	business to business
"B2B2C"	business to business to consumers
"B2C"	business to consumers
"BI"	business intelligence system
"BMS"	battery management system
"CAGR"	compound annual growth rate
"CCC"	china compulsory certificate
"CE"	Conformite Europeenne
"CNAS"	China National Accreditation Service for Conformity Assessment
"CNC"	computer numerical control
"CRM"	customer relationship management system
"CSA"	Canadian Standards Association
"CTDP"	Client Test Data Program, which is a means for UL to accept externally generated data in support of UL Mark certification
"DC"	direct current
"ERP"	enterprise resource planning system, which supports manufacturing, financial accounting, forecast and planning, purchasing, order management, enterprise performance management and human capital management
"ESG"	environmental, social and governance
"EHS"	environmental, health and safety

"FEFO"	first expired, first out
"FIFO"	first in, first out
"FMEA"	failure modes and effects analysis, which is a systematic, proactive method for evaluating a process to identify where and how it might fail and to assess the relative impact of different failures, in order to identify the parts of the process that are most in need of change
"FOB"	free on board, a trade term which means that the seller bears all costs and risks up to the point the goods are loaded on board the vessel designated by the buyer in a manner customary at the particular port. From that point forward, the buyer bears the costs and risks
"FOC"	field oriented control
"Frost & Sullivan Report"	industry report issued by Frost & Sullivan, our industry consultant, regarding the global power tool and outdoor power equipment markets
"FVPL"	fair value through profit or loss
"HKSIR 200"	Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars"
"IEC"	International Electrotechnical Commission
"injection molding"	a plastic manufacturing process involving heating and pressurizing, granules of thermoplastics materials such as polystyrene into a mold, to form into different shape and size of products
"IoT"	internet of things which refers to a network of physical objects that are embedded with sensors, software, and other technologies used for connecting and exchanging data with other devices and systems over the Internet
"IPQC"	in-process quality control
"IQC"	incoming quality control
"ISO"	International Standard Organization
"LCD"	liquid crystal display
"LED"	light emitting diode, a two-lead semiconductor light source

"LEEDS"	Leadership in Energy and Environmental Design
"MES"	manufacturing execution system
"OBM"	original brand manufacturing
"ODM"	original design manufacturing
"OEM"	original equipment manufacturing
"OPE"	outdoor power equipment
"OPEI"	Outdoor Power Equipment Institute
"OQC"	outgoing quality control
"PCBA"	printed circuit board assembly
"PLM"	product lifecycle management
"PTI"	Power Tool Institute
"Pure-play e-commerce channel"	a sales and distribution channel that consist of pure-play e-commerce platform(s)
"Pure-play e-commerce platform"	an e-commerce platform (where consumers shop products and make payments to sellers electronically) that focuses on online channels and generally does not operate physical stores, which can be distinguished from retailers that operate both online and offline channels
"QMS"	quality management system
"ROW"	rest of world
"SCM"	supply chain management
"sq.m."	square meters
"SMT"	surface mount technology
"SRM"	supplier relationship management system
"UL"	Underwriters' Laboratories
"WMS"	warehouse management system

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "consider" "continue", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies, plans of operations and our operation and business prospect;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business and operating strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment, operating conditions and general outlook in the industry and geographical markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our financial condition and performance;
- our ability to develop and manage our operations and business;
- our ability to successfully implement our business plans and strategies;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- our capital expenditure and funding plans;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- the actions and developments of our competitors;

- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and

- all other risks and uncertainties set out in the section headed "Risk Factors".

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are a company incorporated in Hong Kong and that a substantial portion of our operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Changes in customer and end-user preferences, inability to maintain mutually beneficial relationships with large customers, inventory reductions by customers and inability to penetrate new channels of distribution could adversely affect our business.

We have certain significant customers, particularly home centers, major mass market retailers, e-commerce platforms and tool companies. In the six months ended June 30, 2021, our five largest customers accounted for 64.4% of our revenue and the largest customer accounted for 39.6% of our revenue. The loss or material reduction of business, the lack of success of sales initiatives, or changes in customer preferences or loyalties, for our products related to any such significant customer could have a material adverse impact on our results of operations and cash flows. In addition, our major customers are volume purchasers whose orders have accounted for a material portion of our sales. This limits our ability to recover cost increases through higher selling prices and has considerable influence on other aspects of our operations as well. For example, for business reasons of their own, our key customers may decide to reduce inventory levels of its products, leading to shortages of our products in their stores despite demand. We cannot provide assurances that we will be able to retain any of our key customers or that these customers will place orders with us in the future at the same levels as in the past. We plan our manufacturing volumes, inventory levels and transportation logistics largely based on orders with our key customers. If our customers change their marketing and inventory plans and purchasing patterns, we may be unable to react to such changes and fulfill their demands in a timely manner, if at all, and may be forced to carry significant volumes of unsold inventory. See also "– Failure to accurately forecast demand may result in excess or insufficient inventory levels, which could increase our inventory holding costs, cause inventory build-up, lead to channel stuffing, cause us to lose sales opportunities or decrease our profit margins" below for more details. The trend toward consolidation in the retail sector may also affect our customer relations and our product distribution model. Our customers may choose to partner with other providers of power tools or OPE products to supply products under the proprietary brands of these providers. Our customers may also choose to discontinue or change the target market of their private labels for which we design and manufacture products under the ODM model, or may decide to use other sources altogether for the design and manufacture of products under their private labels.

In addition, the business of our key customers, and therefore their demand for our products, may decline as a result of a disruption in our business relations or a general worsening of economic conditions in our customers' key markets, such as the home improvement, residential construction and infrastructure markets. Our customers may experience liquidity fluctuations or a decline in access to credit as a result of any downturn in these and their other key markets. If any of our key customers terminate their purchase or supply agreements with us or significantly change, reduce, delay or cancel the products ordered from us, or if we are unable to collect fully our accounts receivables from a key customer in a timely manner or at all, our sales and cash flows may decline significantly and our business, financial condition and results of operations may be materially and adversely affected.

The inability to develop and introduce new products at favorable margins, or low customer demand for new products, could adversely impact our competitiveness, performance and prospects for future growth.

We are committed to innovation and our growth and success depend on our ability to develop and introduce new products in a timely manner at favorable margins, and to manage product transitions. Rapid innovation shortens product life-cycles as products are replaced by those more technologically advanced and with a newer product design. Once a new design or technology becomes available, the demand for and price of products made with older technologies or designs may decline rapidly. Any delay in the development of reliable products with advanced features may lead to a decline in brand recognition and market penetration. The life cycle of our products typically ranges from 3.5 to 5.5 years. Product innovation and development are thus critical factors in improving margins and enabling net sales growth in all of our product lines. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our revenue was US$690.7 million, US$843.6 million, US$1,200.9 million, US$514.4 million and US$868.8 million, respectively. During the same years and periods, our gross profit margin was 25.4%, 30.3%, 30.7%, 28.7% and 28.9%, respectively.

The uncertainties associated with developing and introducing new products, such as fluctuating market demand, cost and the time it takes may impede the successful development and introduction of new products on a consistent basis. We develop new products based in part on our market research based on assumptions concerning end-user needs and preferences as well as in reactions to the products being developed by our competitors. Such assumptions include price points, tool performance, weight and appearance, all of which may not be in line with actual end-user preferences. End-user preferences may also change in line with trends in other product markets, for example, how customer demand for better environmental performance is currently partially driving our product development with focus on lithium-ion battery platforms. Furthermore, market acceptance of our new products and the level of sales generated from these new products are affected by our key customers' investment in advertising campaigns and product promotions, any of which may not attract the kind or number of end-users for which the products are intended. End-user loyalties may also shift due to factors affecting our key competitors' market position or other circumstances beyond our control. If our assumptions concerning current and future customer preferences and the products being developed by our competitors are incorrect or we fail to identify and respond to market trends, we may be unable to sell our products at favorable margins, if at all.

Market acceptance of the new products introduced in recent years and scheduled for introduction in 2021 and beyond may not meet sales expectations due to various factors, such as potential failures to accurately predict market demand, end-user preferences, and evolving industry standards. Introduction of new technologies may result in higher costs to us than that of the technologies replaced. That increase in costs, which may continue indefinitely or if and until increased demand and greater availability in the sources of the new technologies drive their costs down, could adversely affect our results of operations. Moreover, the ultimate success and profitability of the new products may depend on our ability to resolve technical and technological challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. Our investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could erode profits if those expectations are not met. We cannot provide assurances that our research and development efforts will be successful or that the technologies we choose to invest in will lead to products that are well received by our customers. We may see limited or no returns on our investment in research and development. If we are unsuccessful in developing new products and production processes in the future or if projects are discontinued for technical, economic, commercial, regulatory or any other reasons, our competitive position and operating results will be harmed. The same holds true if other companies develop alternative technologies and solutions that meet customer or end-user preferences better than our products.

We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected.

We strive to achieve sustainable growth and further strengthen our competitiveness in the global power tool and OPE industry by implementing our business strategies. See "Business – Our Strategies" for details. Nonetheless, our business plans and strategies are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities or remain competitive in the industry. Furthermore, even if we implement our business plans and strategies effectively and efficiently, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results. Our business, financial conditions, results of operations and growth prospects may be materially and adversely affected if our future business plans and strategies fail to achieve positive results.

For example, in response to the increasing demands, we plan to seek expansions of our production capacities in China, and we may undertake further expansion plans based on our future business needs. See "Business – Production Expansion Plans" for further details. However, the success of our future expansion plans depends on a number of factors that are beyond our control, such as the construction progress of the third-party constructors, changes in local laws and regulations and government policies, the availability of low-cost skilled labor and changes in consumer demands. In addition, the integration of new facilities into our existing operation may be subject to unforeseeable delays, which may, among other things, increase our operation costs, strain our production capacity, cause delays in delivery of customer orders and decrease our production efficiency. Moreover, our expansion plans may increase our operating costs, such as higher staff costs as well as for depreciation for production equipment and facilities, and increase our cash outflows for operating and investing activities. Accordingly, we may not be able to achieve the expected expansion of our operations or manage our growth in a timely or cost-effective manner.

Our historical revenue and profit margin may not be indicative of our future revenue and profit margin.

During the Track Record Period, we had experienced significant growth in our revenue and net profit and achieved relatively stable gross profit margin. Our annual revenue increased by 22.1% from US$690.7 million in 2018 to US$843.6 million in 2019, and further by 42.4% to US$1,200.9 million in 2020. Our revenue increased by 68.9% from US$514.4 million in the six months ended June 30, 2020 to US$868.8 million in the six months ended June 30, 2021. Our net loss was US$13.5 million for the year ended December 31, 2018, and our net profit was US$36.1 million, US$48.4 million, US$20.5 million and US$91.2 million for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2020 and 2021 respectively. Our gross profit margin was 25.4%, 30.3%, 30.7%, 28.7% and 28.9% during the respective periods.

Nevertheless, our historical financial information is a mere analysis of our past performance and does not have any implication on or may not necessarily reflect our financial performance in the future. Our business and financial prospect will depend on our capability to secure new business opportunities and to control our costs and are subject to certain factors, such as the effects of the COVID-19 pandemic, that are beyond our control. Gross profit margin of our products may fluctuate case by case due to factors such as impact of our relationships with our customers, technical complexity in the design and manufacturing of our products, and delivery schedule required by our customers as well as COVID-19 on end-user needs for our products. There is no assurance that the revenue or profit margin of our products in the future will remain at a level comparable to those recorded during the Track Record Period. If we fail to secure new businesses or control our cost, or fail to maintain our profit margin at a level comparable to that recorded during the Track Record Period, our financial conditions may be materially and adversely affected.

We have incurred loss in the past, and we may experience loss in the future.

For the year ended December 31, 2018, we incurred a net loss of US$13.5 million, primarily due to (i) our increased investments in the OBM business, including marketing and research and development spending in 2018 and (ii) integration costs associated with our acquisition of the *SKIL* business. With respect to our investments in the OBM business, for example, we devoted substantial resources into developing *SKIL*-branded lithium-ion battery powered products, which did not launch in Europe market until the fourth quarter of 2018. Our gross profit margin for 2018 was also lower due to promotion of OBM products, particularly *EGO*, through price reductions in order to quickly gain market share. With respect to the *SKIL* integration costs, such costs primarily include: (a) replacing certain operational support, logistics and IT systems, (b) investing in additional research and development efforts, (c) increasing production capacity and (d) enhancing relevant marketing activities during the transition period. Our future profitability will depend on a variety of factors, including the performance of our business, competitive landscape, customer and end-user preference, macroeconomic and regulatory environment, raw material costs, as well as the uncertainties associated with the COVID-19 pandemic. Therefore, our revenues may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. As a result, we may incur losses in the future.

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

As of December 31, 2018 and 2019, we recorded net current liabilities of US$41.3 million and US$5.1 million, respectively. See "Financial Information – Working Capital" for a detailed analysis of our net current liabilities/assets position.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial condition and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external funding on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations are affected by seasonal fluctuations.

We are subject to seasonal fluctuations in market demand for our products. Consumer spending on power tools generally increases during holiday seasons when gift-giving and product promotions are more common. Consumer spending on OPE products generally increases during springs and falls, which correspond to increases in gardening needs of end-users. If we are unable to increase our manufacturing capacity to meet demand, we may lose potential sales and our contract customers may seek other manufacturing sources to meet their needs. If we are unable to manage our manufacturing capacity during a seasonal or market-related downturn in demand, we may be unable to control costs. Our inability to react to changes in seasonal or cyclical demand on a timely basis may have a material adverse effect on our business, financial condition and results of operations.

We face active global competition and if we do not compete effectively, our business may suffer.

We face active competition and resulting pricing pressures. Our products compete on the basis of, among other things, our reputation for product quality, emphasis on product innovation and development, the breadth of our product lines, our well-known brands and our strong customer relationships and after-sales services. We compete with both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. According to the Frost & Sullivan Report, the global electric power tool market and electric OPE market is relatively concentrated, as the top 10 players accounted for approximately 73.3% and 88.3% of market shares by revenue in 2020, respectively. To remain profitable and increase our market share, we must maintain a competitive cost structure, develop new products and services, lead product innovation, respond to competitor innovations and enhance our existing products in a timely manner. We may not be able to compete effectively on all of these fronts and with all of our competitors, and the failure to do so could have a material adverse effect on our sales and profit margins.

We are actively involved in creating a comprehensive product development system. In the event we are not successful in effectively applying our research and development in areas such as lithium-ion battery technologies, our future earnings and ability to compete could be materially and adversely affected.

In addition, we may have to reduce prices on our products and services, or make other concessions, to stay competitive and increase market share. Price reductions taken by us in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also materially and negatively impact our business. If we are forced to reduce our prices as a result of competitive pressures in the markets, we may be unable to pass any increases in the prices of raw materials and components on to our customers or end-users. Such price reductions taken by us may not generate the anticipated revenues and we may be unable to reduce our total costs in line with the revenues, which may have a material adverse effect on our business, financial condition and results of operations.

Our growth strategies depend substantially on our ability to successfully expand into new sales channels, and to reinforce our market positions in existing markets.

We plan to reinforce our market positions in existing markets such as North America, Europe and China and explore opportunities for expanding our sales channels, such as online e-commerce platforms. Please see the section headed "Business – Our Strategies" in this prospectus for more details on our growth strategies. There can be no assurance that our efforts to reinforce our existing market positions will continue to be successful.

We conduct our business on a global basis. Expansion into new sales channels in which we have limited operating experience and brand recognition may present operating and marketing challenges that are different from those we currently face. These sales channels may have different competitive dynamics, consumer preferences and discretionary spending patterns. End-users in these sales channels are likely to be unfamiliar with our brands and products, and we may need to build or increase brand awareness in the relevant sales channels by increasing our investments in advertising and promotional activities. For these or other reasons we may not be successful in expanding into new sales channels, which in turn could affect our growth prospects and our overall profitability.

We may over-expand our sales network, and may not be able to effectively manage any overlap or potential competition among our different sales channels, such as cross-region sales.

During the Track Record Period, we sold our products through our multi-channel sales network, which covers various offline and online channels. Our success depends highly on our ability to maintain and expand these offline and online sales and distribution network. We may over-expand our sales network, which may result in excessive sales and distribution costs without the anticipated benefits. We cannot assure you that we can implement effective measures to manage overlap or potential competition among our sales channels. As a result, the expansion of our sales network may not lead to proportionate expansion of our sales revenue. Furthermore, adverse competition and cannibalization, such as cross-region sales in contravention of contractual obligations of distributors, among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

In certain instances, our distributors may further enter into agreements with their sub-distributors, and we normally do not enter into distributorship agreements or directly establish relationships with the sub-distributors. Accordingly, we generally have limited control over the sub-distributors and we rely on our distributors to manage and control the sub-distributors. In the event our distributors fail to effectively manage their sub-distributors, competition among such sub-distributors may result in cannibalization within our sales channels, which may have an adverse effect on our business, results of operations and financial condition.

Our results of operations could be negatively impacted by our ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner and inflationary or deflationary economic conditions.

The key raw materials, parts and components for our operations primarily include battery cells, motor enameled wires, motor stamping, electronic integrated circuits, plastic particles and other components for the manufacturing of power tools and OPE products. Our cost base also reflects significant elements for freight, energy and labor. The prices for these raw materials are subject to price volatility attributable to a number of factors which may be beyond our control, such as inflation, supplier capacity constraints, general economic conditions, demand from other industries for the same materials, the availability of complementary and substitute materials, and local and national regulatory requirements. Any significant increases in our cost of raw materials may increase our cost of sales and negatively affect our profit margin and, more generally, our business, financial condition, results of operations and prospects. In addition, we source large volumes of battery cells and chips from global suppliers, and any supply shortages may negatively affect our operations.

Most of our raw materials and sourced goods are obtained on a "purchase order" basis; however, in limited cases where we have supply contracts with fixed prices, we may be required to purchase raw materials or sourced goods at above-market prices, which could adversely impact gross margins. In addition, in some instances our options for suppliers may be limited due to market shortages for certain raw materials, parts or components such as battery cells or chips during certain time periods. Factors including supply interruptions of production materials resulting from shortages, labor strikes and disputes or supplier insolvencies or other factors, could have a material negative effect on our profitability.

Please refer to the section headed "– The COVID-19 pandemic has led to, and may cause further, logistical delays in relation to raw materials and finished goods as well as price fluctuations of transportation costs, which may negatively affect our business and results of operations" in this prospectus for further details.

Furthermore, if we are unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives, our profitability may be adversely affected. In the event there is deflation, we may experience pressure from our customers to reduce prices, and there can be no assurance that we would be able to reduce our cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact our results of operations and cash flows.

As a result of inflationary or deflationary economic conditions, we believe it is possible that a limited number of suppliers may either cease operations or require financial assistance from us in order to fulfill their obligations. In a limited number of circumstances, the magnitude of our purchases of certain items is of such significance that a change in established supply relationships with suppliers or increase in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or an inability to market products. Changes in value-added tax rebates currently available to us could also increase the costs of our manufactured products as well as purchased products and components and could adversely affect our results.

The prices or availability of raw materials, energy or other production factors vary with market conditions and may be highly volatile. There can be no assurance that we will be able to fully pass raw material price increases on to our customers. In September and October of 2021, certain regions of China experienced power shortages due to rising coal prices and governmental mandates to reduce carbon emissions, which resulted in delays in production for manufacturers in the relevant regions. Our production facilities based in Nanjing were subject to temporary power restrictions imposed by relevant utility providers intermittently for approximately two weeks, from October 5 to 21, 2021; however, such restrictions have not resulted in a material adverse impact on our volume of production. We purchased additional electricity generators and implemented measures to reduce our energy consumption. Such additional generators produced electricity through diesel fuel. We also used solar power to supplement our electricity supply. In addition, as we maintained a sufficient inventory of parts and components and the duration of power restrictions was limited, such restrictions did not have a material adverse impact on our production and delivery of finished products.

During the period of temporary power restrictions, the relevant utilities providers imposed limits on their supply of electricity to us, but not on our power usage. In particular, the relevant utilities providers did not prohibit the use of additional in-house electricity generators. As advised by our PRC Legal Adviser, PRC law does not prohibit us from obtaining and using electricity generators. Therefore, our action of obtaining extra power sources by additional electricity generators is legal and does not constitute a potential circumvention of any legal or regulatory restriction.

In the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, our electricity costs were US$2.5 million, US$2.6 million, US$3.2 million and US$3.1 million, respectively, representing 0.5%, 0.4%, 0.4% and 0.4% of our cost of sales, respectively.

In early November 2021, the State Grid Corporation of China, which is China's primary operator of power grids nationwide, announced that electricity supplies have returned to normal. We believe the power shortage and restrictions have not resulted in a material adverse impact on our business operations and financial performance during the Track Record Period and up to the Latest Practicable Date. However, in the event we experience power shortages and restrictions in the future, our business operations and financial performance could be materially and adversely affected.

If our logistics service providers fail to provide reliable and timely logistics services, our business, financial condition and results of operations may be materially and adversely affected.

We use independent third-party logistics service providers to fulfill and deliver our orders. Interruptions to or failures in these third parties' logistics services could prevent the timely or proper delivery of products to customers, which would harm the businesses we operate. These interruptions or failures may be due to events that are beyond our control or the control of any of these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shut-downs. We may not be able to find alternative service providers to provide logistics services in a timely and reliable manner, or at all.

Failure to successfully execute our equipment upgrade and capacity expansion plans may have a material adverse effect on our business, financial conditions and results of operations.

Our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. We have continued to upgrade our current manufacturing equipment, install additional manufacturing equipment and seek additional manufacturing facilities, such as in China, to expand our production capacity and enhance our production efficiency. See the section headed "Business – Production – Production Expansion Plan" in this prospectus for more details. If we fail to achieve these objectives, we may not be able to attain the desired level of economies of scale in our operations or reduce our marginal manufacturing costs to the level necessary to maintain our pricing and other competitive advantages and achieve our business expansion plan.

Our equipment upgrade and capacity expansion have required and will continue to require substantial capital investment, significant engineering efforts, timely delivery of manufacturing equipment and dedicated management attention, and are subject to the following risks and uncertainties:

- negative effect on the working capital available to us;
- the need to finance our equipment upgrade and capacity expansion through bank or other borrowings, which may not be available on commercially reasonable terms or at all;
- increase in depreciation charges associated with our new equipment and interest expenses associated with our future borrowings for planned upgrade or expansion;
- cost overruns, construction delays, manufacturing equipment problems, including delays in equipment delivery or delivery of equipment that does not meet our specifications, and other operating difficulties;
- failure to improve our operational and financial systems and risk monitoring and management system in line with our upgrade or expansion;

- decrease in the prices of our products, which fail to cover our increased production costs;

- failure to maintain or establish relationships with our existing or prospective customers and suppliers to match our increased production output;

- the failure of our new equipment to perform as expected and lower our manufacturing cost;

- insufficient management resources to properly oversee and manage our planned capacity expansion; and

- delay in or denial of government approvals, permits or documents of similar nature necessary and required for our expansion.

Any of the abovementioned or similar risks or uncertainties could significantly delay or constrain our ability to execute our equipment upgrade and capacity expansion as planned, which may in turn hinder our ability to achieve economies of scale and satisfactory utilization rates. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

We are exposed to market risk from changes in foreign currency exchange rates which could materially and negatively impact our profitability.

We manufacture and sell our products in many countries throughout the world. As a result, there is exposure to foreign currency risk as we enter into transactions and make investments denominated in multiple currencies. For example, changes in currency exchange rates may affect the relative prices at which we and our competitors sell products in the same market and the cost of products and services we require for our operations. Our predominant exposures are in US dollar, Euro and Renminbi ("**RMB**"). We are subject to risks arising from the translation of balance sheets and income statements of our subsidiaries to US dollars as well as risk arising from the export of products and sales outside the country of manufacturing. With respect to the effects on translated earnings, if RMB strengthens relative to local currencies, our earnings could be negatively impacted. The translational and transactional impacts will vary over time and may be more material in the future. There can be no assurance that we can implement effective measures to reduce or eliminate our exposure to fluctuations in foreign exchange rates. Our net foreign exchange gain in 2018 and 2019 was US$2.6 million and US$0.5 million, respectively, and our net foreign exchange loss in 2020 and the six months ended June 30, 2020 and 2021 was US$11.5 million, US$0.6 million and US$5.4 million, respectively.

We manufacture and source products from the PRC, Vietnam and Germany for sale or resale in other regions. To the extent the RMB or Vietnamese Dong appreciate, we may also experience cost increases on such operations or purchases. We may not be successful at translating to customer pricing or implementing other actions in an effort to mitigate the related cost increases and thus our profitability may be adversely impacted.

In addition, we enter into foreign exchange forward contracts with financial institutions to mitigate exposure to fluctuations in foreign exchange rates. Fluctuations in the foreign exchange rates may lead to losses resulting from our exposure to foreign exchange forward contracts or similar arrangements. In 2018, 2019 and the six months ended June 30, 2020, we recognized net realized and unrealized losses on derivative financial instruments of US$10.4 million, US$0.8 million and US$1.5 million, respectively, which were primarily related to our foreign exchange forward contracts. In 2020 and the six months ended June 30, 2021, we recognized net realized and unrealized gains on derivative financial instruments of US$8.2 million and US$3.7 million, respectively, which were primarily related to our foreign exchange forward contracts.

Our manufacturing operations in the PRC and other countries are subject to increasing costs due to inflation and other changes.

As measured by production capacity, the majority of our manufacturing operations are currently located at our production facilities in the PRC. Furthermore, many of our important suppliers are located in the PRC. While the PRC economy has experienced rapid growth, such economic growth can lead to growth in the money supply and rising inflation. General inflation has also led to an increase in labor, transportation and commodity costs. In order to control inflation in the past, the PRC government had imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending to slow economic growth. If these measures are unsuccessful and commodity, utility and supply costs increase at a higher rate than our prices, particularly if combined with adverse changes in foreign currency exchange rates, we may not realize the expected cost efficiencies of locating our manufacturing operations in the PRC.

Similar economic trends may occur in the other countries in which we have manufacturing facilities, such as in Vietnam. If we are unable to realize the expected cost efficiencies of locating a large percentage of our manufacturing and research and development operations in the PRC or in other lower-cost countries, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on third-party suppliers to meet our requirements for high-quality production and timely delivery of raw materials and components. Significant disruption in their supply or increase in their prices may materially and negatively affect our business.

Our production activities depend on delivery of raw materials and components in a timely manner from a number of different suppliers. From time to time, our suppliers may extend lead times and may fail to deliver raw materials or components required for production as scheduled. Even if only one supplier is unable to deliver on schedule or the products supplied do not meet our specifications, the entire production process may be delayed. As a result, we may be unable to fulfill our customers' orders or may have to delay the timeline for launching new products, resulting in decreases in sales. As a result of the COVID-19 pandemic, supplies of certain raw materials and components and costs of transportation and delivery schedules were also adversely affected. For more details, please refer to "– Our business may be affected by the occurrence of contagious diseases, such as COVID-19" below.

Furthermore, if our suppliers experience financial or other difficulties or if worldwide demand for the raw materials and components they provide increases significantly, the availability of these raw materials and components could be limited. It could be difficult, costly and time-consuming to obtain alternative sources for these raw materials or components, or to change product design to make use of alternative raw materials and components. Difficulties in transitioning from an existing supplier to a new supplier could create delays in the availability of raw materials and components which would have a significant adverse impact on our ability to fulfill orders for our products. If we are unable to obtain a sufficient supply of raw materials and components, or if we experience any interruption in the supply of raw materials and components, our product shipments could be reduced or delayed. Any or all such disruptions in supply may affect our ability to meet scheduled product deliveries, damage our reputation in the market and cause us to lose market share. See also "– Our results of operations could be negatively impacted by our ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner and inflationary or deflationary economic conditions" below for more details.

In addition, some of our raw materials and components are specifically designed for use in our manufacturing and assembly processes. They are generally obtained from a limited number of qualified suppliers for whom we provide the engineering design and specifications. We cannot provide assurances that our efforts to control quality will be successful or that in the event we must change suppliers we will be able to obtain satisfactory alternative sources of supply. We also source a large percentage of our raw materials and components from suppliers located within the PRC. If our PRC-based suppliers experience increased costs due to changes in PRC labor laws or other regulations or increases in the PRC commodity and raw material costs, we may find it difficult and costly to adjust our supply chain to include suppliers in other countries or regions. If our suppliers fail to satisfy our pricing or quality requirements, we may be subject to increased raw materials and components costs or lose sales.

The occurrence of any of the above could have a material adverse effect on our business, financial condition and results of operations.

Unsatisfactory performance of or defects in our products may harm our reputation, lead to product returns or recalls, subject us to significant product liability litigations and have a material adverse effect on our business, financial conditions and results of operations.

Our products may contain defects that are not detected until after they are shipped or inspected by our customers. Our failure to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products, and product defects could cause significant damage to our market reputation and reduce our sales and market share. If we deliver any defective products, or if there is a perception that our products are of substandard quality, we may incur substantial costs associated with returns or replacements of our products, our credibility and market reputation could be harmed and our sales and market share may be adversely affected. Further, we may, as a result of defective products, encounter additional compliance issues that could subject us to administrative proceedings and unfavorable results such as production rectification. Such proceedings and unfavorable results could have a material adverse effect on our business, financial conditions and results of operations.

In addition, as our customers sell our products to the end consumers in their respective markets, we are also exposed to potential product liability claims, including class action lawsuits, from end consumers of our products in the relevant jurisdiction in the event that the use of our products results in any health or safety issue or damage. Such product liability claims typically range from approximately US$600 to US$270,000. Although we sell some of our products through our customers, including our distributors, and therefore have no direct sales to the end consumers, we may nevertheless be liable for defects in our products as a result of general laws on product liability. During the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC Government or other regulatory bodies or (ii) receive any products return requests or complaints from our customers that have a material adverse effect on our business, financial conditions and results of operations. For details, see the section headed "Business – Quality Control Measures – Warranty and After Sales Services" in this prospectus.

We cannot assure you that a product liability claim will not be brought against us in the future or that we will not see increasing litigation over our products as the regulatory regimes surrounding these products develop, and we cannot assure you as to the outcome of any legal proceedings. Successful product liability claims against us could result in substantial amount of damages payable by us. Such disputes may also bring negative publicity that could severely damage our reputation and affect the marketability of our products, and could result in substantial costs and diversion of our resources and management's attention. All of the above impact would in turn materially and adversely affect our business, financial conditions and results of operations.

We have purchased product liability insurance for claims of personal injury and property damage caused by our products. See the section headed "Business – Insurance" in this prospectus for more details. However, there can be no assurances that we will be able to maintain our product liability insurance on acceptable terms, and our insurance limit may not be sufficient to cover any or all of our potential losses in product liability claims. Significant insurance payouts would result in increases in insurance premiums payable by us. If we cannot maintain our product liability insurance on reasonable terms or our insurance does not or cannot sufficiently compensate for the losses we sustain in the event of a lawsuit, our business, financial conditions and results of operations would be adversely affected.

In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our power tools or OPE products, including any systems or parts sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary or caused by systems or components engineered or manufactured by us or our suppliers, could involve significant expenses and could adversely affect our brand image, business and results of operations.

We generally allow end users to return defective products within certain periods in compliance with regulatory requirements. Our distributors and retailers may also allow their end customers to replace products for specific types of defects or quality issues. Excessive product returns may materially and negatively affect our results of operations.

Our power tools and OPE products make use of lithium-ion battery packs, and lithium-ion battery packs may catch fire or vent smoke and flame on rare occasions.

The battery packs of our power tools or OPE products and make use of lithium cells. While our battery packs are built with robust safety features and strong heat management capabilities, there can be no assurance that our batteries will always function safely. If any safety accident occurs to any of the battery packs of our power tools or OPE products, we could be subject to lawsuits, product recalls or redesign efforts, all of which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of lithium-ion cells for applications to power tools or equipment or any future incident involving lithium-ion cells, such as a vehicle fire, even if such incident does not involve our power tools or OPE products, could seriously harm customers' confidence in our power tools and OPE products.

Furthermore, we may store high volumes of lithium cells and battery modules and packs at our facilities. Any mishandling of battery cells and battery packs may cause disruption to the operation of such facilities. While we have implemented safety procedures related to the handling of the cells, there can be no assurance that a safety issue or fire related to the cells would not disrupt our operations. Any such disruptions or issues may harm our brand and business.

We are subject to various regulatory and customer-imposed guidelines and may not be successful in maintaining an effective quality control system.

We are subject to a variety of laws and regulations in the jurisdictions where our products are sold and guidelines imposed by our customers relating to production safety, health and environmental conditions. For example, we are required to comply with specific guidelines based on the product safety standards and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions where our products are sold. To comply with them, we need to implement and maintain an effective quality control system to perform various inspections over the course of our entire manufacturing process. We cannot assure you that our quality control system will continue to be effective. Any significant failure or deterioration of our quality control system in respect of, among other things, our production process and product inspection, may seriously damage our product quality. Decline in product quality will affect our reputation in the market and among our existing or prospective customers, which may lead to reduced orders or loss of customers, and will severely harm our business, financial conditions and results of operations.

If we do not continue to develop and maintain highly recognizable brands, or if we incur excessive expenses in this effort without achieving anticipated benefits, our reputation, business, financial condition and operating results may suffer.

Our ability to compete successfully also depends increasingly on our ability to develop and maintain highly recognizable brands so that our retailers and other customers will continue to purchase our products in order to meet end-user demand. Highly recognizable brands allow us to realize economies of scale in our operations. The development and maintenance of such brands require significant investment in brand-building and marketing initiatives. While we plan to continue increasing our expenditure for advertising and other brand-building and marketing initiatives over the long term, the initiatives may not deliver the anticipated results. Further, the results of such initiatives may not cover the costs of the increased investment. If we are unsuccessful in promoting our brands or fail to maintain our brand position among our targeted end-user groups, market perception and end-user acceptance of our brands may erode. Because our branded products are primarily sold through retailers, distributors and e-commerce platforms, the marketing of our brands may be part of a centralized marketing campaign conducted by the brand's primary sellers, over which we have no control. The failure of one of our brands in our primary market segment or the poor performance of any marketing campaign could significantly impair our sales of products under such brand and have a material adverse effect on our business, financial condition and results of operations.

Our brands are important assets of our businesses and violation of our trademark rights by imitators, or the failure of our licensees or vendors to comply with our product quality, manufacturing requirements, marketing standards or other requirements could negatively impact our reputation, brand and results of operations.

Our trademarks enjoy a reputation for quality and value and are important to our success and competitive position. Unauthorized use of our trademark rights may not only erode sales of our products, but may also cause significant damage to our brand name and reputation, interfere with our ability to effectively represent us to our customers, contractors, suppliers and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to our standards of quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to our reputation and business. There can be no assurance that our on-going effort to protect our brand and trademark rights and ensure compliance with our licensing and vendor agreements will prevent all violations. If our products are counterfeited or imitated in the market, our reputation and results of operations may be negatively affected.

Our business depends in part on our ability to protect our intellectual property rights and operating without infringing on the rights of third parties.

We rely on patents, copyrights, contractual rights, trade secret protection rights and other intellectual property rights to protect our proprietary technologies and products. The rapid technological changes that characterize the power tools and OPE industry require that we must quickly implement new processes and components with respect to many of our products. We may in the future have difficulty obtaining patents, copyrights, registered trademarks and other intellectual property rights, and the patents, copyrights and registered trademarks we receive may be insufficient to provide us with meaningful protection or commercial advantage. Furthermore, we cannot provide assurance that any patent, copyright, registered trademark or other intellectual property right owned by, or licensed to, us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the countries where we operate. If we are unable to protect the proprietary technology and intellectual property involved, our market position would be undermined, and our business, financial condition and results of operations may be materially and adversely affected.

Our design and technology and manufacturing processes are complex and involve the integration of many different elements. Our success therefore also depends on operating without infringing the proprietary rights of others. We may be unaware of the intellectual property rights of competitors or other third parties or unfamiliar with the laws governing those rights in other countries in which our products are or may be sold. As the number of patents, copyrights and other intellectual property rights in its industry increases, we may face more frequent intellectual property infringement claims. We may in the future receive notices from competitors or other third parties alleging that our products or manufacturing processes infringe on the intellectual property rights of third parties. If we are unable to defend against third party claims of infringement, our business, financial condition and results of operations may be materially and adversely affected.

Our success relies on key executives and senior management, product design and development engineers, our sales force and other important staff members.

The success of our efforts to grow our business depends on the contributions and abilities of key executives, experienced product design and development engineers, our sales force and other personnel, including the ability of our sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. We must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain our current business and support our projected growth. A shortage of these key employees might jeopardize our ability to implement our growth strategy. If we lose the services of any of our key executives or senior managers and cannot replace them in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

We must recruit engineers with expertise in advanced technologies in order to realize our strategy to improve our market position by continuing to introduce new products and advanced manufacturing processes. Our success therefore depends on the continued service of, and our ability to attract, retain and motivate experienced engineers, especially during periods of rapid growth. Competition for such qualified personnel is intense. We also face intense competition for our engineering, product development and industrial design talents in the United States, Germany, the United Kingdom and the Netherlands. We additionally face competition for such personnel from competitors in our industry. If we are unable to attract or retain experienced research and development and engineering personnel or skilled labor, and are unable to replace such personnel as necessary, our business, financial condition and results of operations may be materially and adversely affected.

Our manufacturing capabilities depend on labor supply and middle management.

We have manufacturing facilities in the PRC, Vietnam and Germany. While our assembly line requires certain manual workers, our labor costs may increase if the labor supply was to decrease or if the job availability rate was to increase sharply as a result of a sudden increase in manufacturers in the regions in which our facilities are located. In addition, new labor laws, employee benefit systems or labor taxes may be put into place by local governments that affect our labor costs. We therefore cannot provide assurances that we will be able to hire unskilled labor at the same cost as in the past. If we were unable to recruit, train and retain qualified personnel or maintain a sufficient workforce, while controlling labor costs, our business, financial condition and results of operations may be materially and adversely affected.

Consistent product quality is partly a result of middle management supervision, including quality control supervisors and line supervisors. The availability of skilled middle management capable of directing the manufacturing of our products and of adapting quickly to the demands of new production processes used to manufacture new products varies considerably in the regions in which we locate our manufacturing facilities, including the PRC. In those countries in which competition for middle management is intense, we may encounter increased costs in recruitment, training and retention. If we are unable to retain or attract middle management at a reasonable cost, or at all, we may encounter delays or slowdowns in our manufacturing schedule and deterioration in our product quality. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We have limited control over our distributors, and we cannot assure you that our distributors will continuously operate their distribution business in compliance with relevant laws and regulations or their obligations under the applicable distribution agreement.

We have limited control over our distributors and we cannot assure you that our distributors will continuously operate their distribution business in compliance with relevant laws, regulations or our distributorship agreements. If our distributors improperly use our technology brands, products or intellectual property rights, it could damage our reputation and brand image, undermine customers' confidence in us and reduce their long-term demands for our products, which in turn will cause a material adverse effect on our business, financial conditions and results of operations. Moreover, as the regulations and policies governing and regulating our power tool and OPE products vary across different countries and regions, our distributors may not be able to comply with them in a timely manner, or at all. Additionally, the distributors largely determine the inventory levels of the stores they operate based on their estimation, and such inventory levels might not correspond to actual market demands and could lead to under-stocking or over-stocking in the stores they operate. Therefore, we cannot assure you that there will not be under-stocking or over-stocking in these stores. Under-stocking can lead to missed sales opportunities, while over-stocking could result in inventory depreciation and decreased shelf space for products that are in higher demands. These results could adversely affect our business, financial conditions and results of operations.

Any divestitures or business discontinuations could adversely affect our results of operations and financial condition.

We continue to evaluate the performance and strategic fit of our businesses and products and may decide to sell or discontinue a business or product based on such an evaluation. A decision to divest or discontinue a business or product may result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have an adverse effect on our results of operations and financial condition. In addition, we may encounter difficulty in finding buyers or executing alternative exit strategies at acceptable prices and terms and in a timely manner. In addition, prospective buyers may have difficulty obtaining financing. Divestitures and business discontinuations could involve additional risks, including the following:

- difficulties in the separation of operations, services, products and personnel;
- the diversion of management's attention from other business concerns;
- the retention of certain current or future liabilities in order to induce a buyer to complete a divestiture;
- the disruption of our business; and
- the potential loss of key employees.

We may not be successful in managing these or any other significant risks that we may encounter in divesting or discontinuing a business or exiting product lines, which could have a material adverse effect on our business.

We have operations in a number of different countries and jurisdictions, including in the PRC, which are subject to legal, regulatory, operational and other risks inherent in international and cross-border operations.

Our business involves international and cross-border operations, particularly in PRC, the United States, Germany, the United Kingdom, the Netherlands, Australia and New Zealand. We source our supplies of raw materials and components primarily from suppliers in the PRC, and we locate our manufacturing facilities primarily in the PRC, Vietnam and Germany. As a result of our global footprint, we are subject to legal, regulatory, operational, economic, commercial and other risks associated with operations in multiple jurisdictions, including:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing and distribution presence;
- difficulty in providing efficient customer service and support in markets abroad;

- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we might be unfamiliar, in order to obtain overseas permits, licenses, and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;

- adverse changes in international laws and agreements, especially those affecting trade and investment;

- high costs relating to compliance with the commercial and legal requirements of overseas markets, including those relating to labor, environmental and industry-specific regulations;

- risks associated with local unions and employment disputes, including allegations of discrimination, harassment, violation of collective bargaining agreements, wrongful termination, among others;

- managing widespread operations and enforcing internal policies and procedures such as compliance with U.S. and foreign anti-bribery and anti-corruption regulations;

- difficulty in obtaining or enforcing intellectual property rights;

- strict foreign exchange controls and cash repatriation restrictions;

- unanticipated changes in prevailing political and economic conditions and regulatory requirements;

- risks associated with compliance with local tax laws and regulations including but not limited to timely filing of tax returns, tax payment, and disputes or disagreements with local tax authorities with respect to matters including but not limited to calculation of tax liabilities and preferential tax treatments;

- risks associated with disputes with local tax authorities on the judgement of transfer pricing arising out of our intragroup transactions, which may result in reallocation or adjustment of our taxable income and a different tax amount payable;

- the instability of governments, including the threat of war, or terrorist attacks;

- sanctions against certain countries or organizations, or prohibitions on certain activities;

- the difficulty of enforcing agreements and protecting assets through legal systems in certain countries; and

- trade barriers such as export requirements, sanctions, tariffs, licensing, and other restrictions and expenses.

Our overall success as a global business depends, in part, on our ability to succeed in managing such risks. The risks and their potential impact on us or our business partners vary from country to country and are difficult to predict with any degree of accuracy. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct business, and there can be no assurance that our exposure to such risks, which may become greater as we expand our international operations, will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints. Please refer to "– Unfavorable economic and geopolitical conditions in the markets in which we operate, such as the trade tensions between China and the United States, may adversely affect our sales."

In addition, any or all of these risks are also faced by our suppliers, many of which supply internationally, and the shipping and warehousing providers that ship our supplies to our manufacturing facilities and our products to their markets. As a result, even if international or cross-border events occur in regions in which we do not operate, such events may still affect our supply and distribution networks and may have a material adverse effect on our business, financial condition and results of operations.

Our business may be affected by the occurrence of contagious diseases, such as COVID-19.

The outbreak of the coronavirus disease 2019 ("**COVID-19**"), which was declared a "pandemic" by the World Health Organization in March 2020, and its continued spread worldwide has introduced uncertainty and volatility in global markets. The outbreak has resulted in restrictions on travel, public transport and prolonged closures of workplaces which has had and may continue to have a material adverse effect on the global economy and may cause interruptions to our business. Furthermore, the COVID-19 pandemic and the resultant restrictions and closures may impact demand, supply and efficient functioning of markets.

While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak. In the first quarter of 2020, a substantial number of our production facilities and offices were closed for certain days. Specifically, our production facilities in Nanjing were closed for 13 days, and our production facility in Germany was closed for 12 days. As a result, our production volume has decreased in the first quarter of 2020. Furthermore, our overseas offices in North America and Europe were also temporarily closed for certain periods from February to April 2020.

We cannot assure you that, going forward, these factors will not result in further disruptions to our operations, supply chains on which our business may rely and the movement of goods across borders and potentially dampen demand of our products and services. In July 2021, a number of positive COVID-19 cases appeared in certain areas of Nanjing, PRC, where a majority of our production facilities and offices are located, and Yangzhou, PRC, where a number of our suppliers are located. In July and August of 2021, our production facilities and offices in Nanjing remained open and we have imposed social distancing, mask-wearing and mandatory virus testing requirements for our employees. However, for certain weeks in July and August 2021, some of our employees have been subject to temporary stay-at-home orders and travel restrictions, and one of our main warehouses suspended operations for 16 days. In addition, due to the impact of the pandemic, our manufacturing facility in Vietnam suspended operations for 8 days in July and August 2021, and gradually resumed production since August 2021. In the six months ended June 30, 2021, the designed annual production capacity of the Vietnam plant accounted for approximately 5% of our aggregate designed annual production capacity. In the third quarter of 2021, we have converted three leased properties into production facilities. Given the establishment of the additional production facilities, our production capacity has increased since August 2021. As a result of the impact of the COVID-19 cases in Nanjing and Yangzhou, PRC and Vietnam, we expect our revenue growth for the third quarter of 2021 to slow down compared to prior periods. Our revenue increased by US$41.0 million, or 13.3%, from

US$307.2 million for the three months ended September 30, 2020 to US$348.2 million for the same period in 2021. In comparison, our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the six months ended June 30, 2021.

During the COVID-19 pandemic, our end-users in North America and Europe markets generally spent more time at home due to stay-at-home orders or social distancing requirements, which we believe have contributed to the growing needs for our power tool and OPE products that target the household needs of consumers such as home repairs and maintenance. However, we cannot assure you that the increased market needs for our products will continue after the COVID-19 pandemic is under effective control, particularly in North America and Europe. Declining market needs for our products may negatively and adversely affect our financial conditions, results of operations or cash flows.

The continued impacts of COVID-19 or any future outbreak of a contagious disease may have an adverse impact on our business, financial condition or results of operations. Please refer to the section headed "– The COVID-19 pandemic has led to, and may cause further, logistical delays in relation to raw materials and finished goods as well as price fluctuations of transportation costs, which may negatively affect our business and results of operations" in this prospectus for further details.

The COVID-19 pandemic has led to, and may cause further, logistical delays in relation to raw materials and finished goods as well as price fluctuations of transportation costs, which may negatively affect our business and results of operations.

The COVID-19 pandemic has affected and may affect future delivery of raw materials and finished goods in our supply chain. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 outbreak in the beginning of 2020. By April 2020, these suppliers had resumed their normal delivery of components. Furthermore, in July 2021, a number of positive COVID-19 cases appeared in certain areas of Nanjing, PRC, where a majority of our production facilities and offices are located, and Yangzhou, PRC, where a number of our suppliers are located. For certain weeks in July and August 2021, some of our suppliers also suspended operations or reduced production levels during such period. As a result, the outbreak caused delays to our supply chain, production schedule and product delivery. Due to the impact of the COVID-19 cases in Nanjing and Yangzhou, PRC, among others, we expect our revenue growth for the third quarter of 2021 to slow down compared to prior periods. If such logistical delays and interruptions in relation to raw materials and finished goods were to occur in the future, our business and results may be materially and adversely affected.

Furthermore, the cost and time for transportation of our products in certain regions of the world also increased as a result of the impact of the COVID-19 pandemic. Given the sharing of sea freight costs between us and our customers and relatively small proportion of sea freight costs relative to our cost of sales, we believe that the rising shipping costs have not resulted in a material adverse impact on our cost structure or overall financial performance. However, if shipping costs continue to rise in the future due to the impact of the COVID-19 pandemic, our customers could request us to bear the sea freight costs, which would increase our cost of sales and adversely affect our results of operations. Furthermore, if disruptions in international shipping patterns as a result of the COVID-19 pandemic were to continue, our business and results of operations may be adversely and materially affected.

Please refer to the section headed "– Our business may be affected by the occurrence of contagious diseases, such as COVID-19" and "– We may be unable to react in a cost-effective manner to changes in global transportation patterns resulting from higher fuel prices or other disruptions in international shipping patterns" of the prospectus for further details.

Our business is subject to risks associated with sourcing and manufacturing overseas and international operations.

We purchase from different countries and jurisdictions certain finished goods and component parts. Substantially all of our cross-border trade operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases, unilateral action. In addition, the countries in which our products and materials are manufactured or traded may from time to time impose additional quotas, duties, tariffs or other restrictions on our cross-border trading activities (including restrictions on manufacturing operations) or adversely modify existing restrictions. Cross-border trading is also subject to unpredictable foreign currency variation which may increase our cost of goods sold. Adverse changes in these cross-border trading costs and restrictions, or our suppliers' failure to comply with customs regulations or similar laws, could harm our business.

Our operations are also subject to the effects of international trade agreements and regulations such as the North American Free Trade Agreement, and the activities and regulations of the World Trade Organization. Trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country. However, trade agreements can also impose requirements that adversely affect our business, such as setting quotas on products that may be imported from a particular country into key markets including the U.S. or the European Union, or making it easier for other companies to compete, by eliminating restrictions on products from countries where our competitors source products.

Our ability to purchase products from different countries and jurisdictions in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay cross-border trading of products or require us to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on our business and financial condition.

We may be unable to react in a cost-effective manner to changes in global transportation patterns resulting from higher fuel prices or other disruptions in international shipping patterns.

We rely on transportation timetables in order to reduce the inventory carrying costs of its finished goods and in order to respond quickly to changes in customer demand. We and our suppliers also require reliable and timely transportation in order to avoid carrying a large inventory of raw materials or half-finished components. Timeliness in transportation also affects our manufacturing and assembly lines and the delivery of our products to our customers. Changes in the price of oil have affected components of our cost of sales in the past, and the price of oil may increase again. Shipping companies have reacted by passing increased fuel prices to their customers as well as by slowing their shipping times in order to save fuel. For a large portion of our OBM and ODM business, our customers bear the sea freight costs. In the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our sea freight costs were US$10.5 million, US$8.2 million, US$17.2 million, US$10.4 million and US$12.8 million, respectively, representing 2.0%, 1.4%, 2.1%, 2.8% and 2.1% of our cost of sales in the respective periods. Given the sharing of sea freight costs between us and our customers and relatively small proportion of sea freight costs relative to our cost of sales, we believe that the rising shipping costs have not resulted in a material adverse impact on our cost structure or overall financial performance. However, if shipping costs continue to rise in the future, our customers could request us to bear the sea freight costs, which would increase our cost of sales and adversely affect our results of operations.

Trucking companies have also increased their prices and slowed their shipping schedules. Changes in transportation costs and schedules may therefore require us to change the way we organize our supply chain and product distribution plans. In addition, global shipping routes and land transportation routes are vulnerable to the threat of social or political instability and international hostilities, including war, as well as natural disasters, work stoppages and longshoreman strikes. The cost and time for transportation of our products in certain regions of the world also increased as a result of the impact of the COVID-19 pandemic. Please refer to "– Our business may be affected by the occurrence of contagious diseases, such as COVID-19" and "– The COVID-19 pandemic has led to, and may cause further, logistical delays in relation to raw materials and finished goods as well as price fluctuations of transportation costs, which may negatively affect our business and results of operations" for more details. If our efforts to spread the costs, manage inventory levels for key products, work around disruptions in transportation routes or otherwise reduce the effects of changes in global transportation patterns are inefficient or costly, our business, financial condition or results of operations may be materially and adversely affected.

Our success depends on our ability to improve productivity and streamline operations to control or reduce costs.

We are committed to continuous productivity improvement and evaluating opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. For example, in the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our fixed costs (which consist of employees' salaries and benefits and depreciation and amortization) amounted to US$117.4 million, US$124.8 million, US$150.5 million, US$62.3 million and US$91.0 million, respectively, representing 17.0%, 14.8%, 12.5%, 12.1% and 10.5% of our revenue during the same periods. We are continuously seeking opportunities to streamline our processes, though there can be no assurance that the savings of these actions will not be mitigated by various factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as sales promotion or research and development above levels that were otherwise assumed. Failure to achieve or delays in achieving projected levels of efficiencies and cost savings from such measures, or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated, would adversely affect our results. Our rapid growth has and is expected to continue to place a strain on our administrative and operational infrastructure, in particular on our internal accounting and financial reporting processes and systems. Over the past years, our expansion has required us to expand our management personnel numbers and increase the complexity of our management structure. There can be no assurance that the new personnel and management structure will enable us to successfully execute our strategy or that we will be able to integrate the new personnel and new structure in a timely manner and without incurring unexpected costs and inefficiencies. We will continue to require additional resources to manage relationships with new customers in new geographic areas, as well as other third parties, such as contracted suppliers, equipment providers and consultants, as our operations expand. Our ability to manage our operations and growth will require us to continue to improve our operational, financial and management controls and reporting systems and procedures. If we are unable to manage our growth and execute our business strategy effectively, our business, financial condition or results of operations may be materially and adversely affected.

Our performance may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting distribution centers and other infrastructure.

We rely heavily on computer systems to manage and operate our businesses, and record and process transactions. Computer systems are important to production planning, customer service and order fulfillment among other business-critical processes. Consistent and efficient operation of the computer hardware and software systems is imperative to the successful sales and earnings performance of our various businesses in many countries.

Despite our efforts to prevent such situations, our systems may be affected by damages or interruptions from, among other causes, power outages, computer viruses, or security breaches. Computer hardware and storage equipment that is integral to efficient operations, such as e-mail, telephone and other functionality, is concentrated in certain physical locations in the various continents in which we operate.

We may need to upgrade, convert or integrate our information systems from time to time. There can be no assurance that expected expense synergies will be achieved or that there will not be delays to the expected timing of such synergies. It is possible the costs to complete the system conversions may exceed current expectations, and that significant costs may be incurred that will require immediate expense recognition as opposed to capitalization. The risk of disruption to key operations is increased when complex system changes are undertaken. If systems fail to function effectively, or become damaged, operational delays may ensue and we may be forced to make significant expenditures to remedy such issues. Any significant disruption in our computer operations could have a material adverse impact on our business and results.

Our operations are significantly dependent on infrastructure which is concentrated in several geographic locations, notably our manufacturing facilities and/or offices in the PRC, Germany and the United States. If any of these were to experience a catastrophic loss, such as a fire, earthquake, hurricane, or flood, it could disrupt operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. There can be no assurance that we will be able to maintain such insurance or other insurance on acceptable terms, if at all, at all times in the future or that claims will not exceed, or fall outside of, our insurance coverage, or our provisions for uninsured or uncovered losses will be sufficient to cover out ultimate loss or expenditure. If we incur losses in excess of the insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

Unforeseen events, including war, terrorism and other international conflicts and public health issues (such as any prolonged recurrence of avian influenza, SARS, swine flu, COVID-19 or other adverse public health developments), natural disasters, whether occurring in China or abroad, could disrupt our operations, disrupt the operations of our suppliers or customers, or result in political or economic instability. These events could reduce demand for our products and make it difficult or impossible for us to manufacture our products, deliver products to customers, or to receive materials from suppliers. Please refer to "– Our business may be affected by the occurrence of contagious diseases, such as COVID-19" below for more details.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis, or at all, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital for our operations and capital expenditures for our expansion. We expect our total indebtedness will continue to increase as a result of our business expansion. See "Financial Information – Liquidity and Capital Resources." Historically, we have generally relied on capital contributions from shareholders, bank loans and other external financing as well as cash generated from our operations to fund our operations and expansion. Our ability to obtain adequate external financing depends on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and PRC economies, interest rates, the applicable laws, regulations, rules and conditions of the geographical regions where we operate. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, nor can we assure you that we will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis or at all. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms, or at all, or business and operations may suffer and the implementation of our expansion plans may be delayed.

In addition, we may obtain bank borrowings with certain financial covenants that restrict our operations. Failure by us to meet payment obligations or to comply with any affirmative covenants, or violation on our part of negative covenants, may constitute an event of default on our borrowings. If any event of default occurs, our financial condition, results of operations and cash flows may be materially and adversely affected.

Furthermore, if we acquire additional funding as a result of our future acquisitions or expansions, market changes or other developments, we may issue additional equity securities or securities convertible into our equity securities, issue debt securities or obtain credit facilities to meet our capital requirements. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may also result in restrictive covenants limiting our shareholding structure, business and/or operations.

We are exposed to counterparty risk in our hedging arrangements.

From time to time, we enter into arrangements with financial institutions to mitigate exposure to fluctuations in currency and interest rates, including foreign currency forward contracts and interest rate swap agreements. As of December 31, 2018, 2019, 2020 and June 30, 2021, we primarily had the following foreign exchange forward and option contracts and interest rate swap agreements: (i) US$0.5 million, US$1.0 million, US$5.8 million and US$3.1 million of assets in foreign currency forward and option contracts and interest rate swap agreements, respectively, and (ii) US$3.6 million, US$1.3 million, US$0.3 million and US$0.6 million of liabilities in foreign currency forward and option contracts and interest rate swap agreements, respectively. The failure of one or more counterparties to our hedging arrangements to fulfill their obligations could adversely affect our results of operations.

We may not achieve optimal results in future acquisitions, investments, partnerships or new businesses, or may encounter difficulties in integrating and developing the acquired assets or investments successfully.

Our business strategy involves acquisitions, investments, or partnerships in our core businesses or establishing new businesses. During the Track Record Period, we did not engage in any major acquisitions.

Acquisitions involve a number of risks, including:

- the possibility that the acquired companies will not be successfully integrated or that anticipated cost savings, synergies, or other benefits will not be realized;
- the acquired businesses will lose market acceptance or profitability;
- the diversion of our management's attention and other resources;
- the potential for post-transaction disputes;
- the incurrence of unexpected liabilities; and
- the loss of key personnel and clients or customers of acquired companies.

In addition, the success of our long-term growth and repositioning strategy will depend in part on our ability to:

- identify suitable future acquisition candidates;
- obtain the necessary financing;
- combine operations;
- integrate departments, systems and procedures; and
- obtain cost savings and other efficiencies from the acquisitions.

Failure to effectively integrate or manage future acquisitions may adversely affect our existing businesses and harm our operational results due to large write-offs, contingent liabilities, substantial depreciation, adverse tax or other consequences. While we have completed the process of integrating the businesses and operations of past acquisitions, we cannot ensure that all of the planned synergies will be realized. In addition, certain of the acquisition agreements by which we acquire brands or businesses require the former owners to indemnify us against certain liabilities related to the operation of each of their companies before we acquired it. In these agreements, however, the liability of the former owners is typically limited, and certain former owners may not be able to meet their indemnification responsibilities. We cannot provide assurances that these indemnification provisions will fully protect us, and as a result we may face unexpected liabilities which may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, any post-acquisition disputes with respect to representations, warranties or other material terms of the merger, acquisition, investment or partnership agreements may adversely affect our results of operations and financial condition.

Expansion of our activity in emerging markets may result in risks due to differences in business practices and cultures.

Our growth plans include efforts to increase revenue from emerging markets primarily through organic growth. Local business practices in these regions may not comply with U.S. laws, local laws or other laws applicable to us. When investigating potential acquisitions, we seek to identify historical practices of target companies that would create liability or other exposures for us if they were to continue post-completion or as a successor to the target. Where such practices are discovered, we assess the risk to determine whether we are prepared to proceed with the transaction. In assessing the risk, we look at, among other factors, the nature of the violation, the potential liability, including any fines or penalties that might be incurred, the ability to avoid, minimize or obtain indemnity for the risks, and the likelihood that we would be able to ensure that any such practices are discontinued following completion of the acquisition through implementation of our own policies and procedures. Due diligence and risk assessment are, however, imperfect processes, and it is possible that we will not discover problematic practices until after completion, or that we will underestimate the risks associated with historical activities. Should that occur, we may incur fees, fines, penalties, injury to its reputation or other damage that could negatively impact our earnings.

Changes in taxation on our business may materially and adversely affect our business, financial condition and results of operations.

Our business and operations are subject to the tax laws and regulations of the countries and markets in which we are organized and in which we operate. Changes in tax laws, tax regulations or interpretations of these laws or regulations may have a material adverse effect on our business, financial condition and results of operations. These changes also could materially reduce the sales of some of our products. For example, U.S. President Biden's administration has proposed several changes to federal taxation of corporations, including multinational corporations, and parts of the proposal are working their way through the U.S. legislative process. Changes to U.S. federal and state taxation adopted into law after the date of this prospectus could materially and adversely affect our business. We cannot predict whether any tax laws or regulations impacting corporate taxes or our products will be enacted, what the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on our business, financial condition and results of operations.

One of our PRC subsidiaries, Nanjing Chervon Industry, is entitled to preferential tax treatment as a high and new technology enterprise, which allows us to have a lower tax rate that would not be otherwise be available to us. We plan to apply for the extension of such preferential tax treatment before expiration. However, there cannot be any assurance that we will be granted such extension, and, if we are not, it would result in an increase of our effective income tax rate. The effect of PRC tax concessions obtained as a result of the preferential tax treatment as a high and new technology enterprise is US$1.1 million, US$1.1 million, US$0.7 million, US$0.1 million and US$2.8 million for 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly.

We may be subject to additional tax liabilities in connection with our transfer pricing arrangements, which could have adverse impacts on our financial condition. Tax authorities may require us to adjust income and expenses for local tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by increasing our tax liabilities, which could further result in late payment fees and other penalties or limit our ability to obtain or maintain preferential tax treatments and other financial incentives.

It is uncertain whether we will be able to recover value-added taxes imposed by the Chinese tax authority.

As of December 31, 2018, 2019 and 2020 and June 30, 2021, we had value-added tax recoverable of US$9.3 million, US$6.9 million, US$10.6 million and US$11.3 million, respectively. The amount of input value-added taxes and output value-added taxes are determined by the applicable value-added tax rate in effect during the period when the purchases from our suppliers or sales to our customers are made. While the deductible value-added tax may enable us to reduce future tax payment, our deductible value-added tax may also pose risk to us as its recoverability is dependent on the then applicable value-added tax rate in effect.

There is no assurance that the deductible value-added tax can be recovered. If there is a lack of payment from customers or an adjustment of applicable value-added tax rate in effect, the output value-added tax may be in shortfall in the future, and we may have to write down the deductible value-added tax, which may significantly affect our business, financial conditions and results of operations.

In addition, export sales are exempted under VAT rules and an exporter who incurs VAT on purchase or manufacture of goods should be able to claim a refund from Chinese tax authorities. However, a reduction in the VAT export refund rate of some goods may cause exporters to bear part of the VAT they incurred in conjunction with the exported goods. Efforts by the PRC government to increase tax revenues could result in revisions to tax laws or their interpretation, which could increase our VAT and various tax liabilities.

Our failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact our results of operations or cash flows.

We are exposed to and become involved in various litigation matters arising out of the ordinary routine conduct of our business, including, from time to time, actual or threatened litigation relating to such items as commercial transactions, product liability, workers compensation, our distributors, intellectual property claims and regulatory actions.

In addition, we are subject to environmental laws in each jurisdiction in which business is conducted. Some of our products incorporate substances that are regulated in some jurisdictions in which we conduct manufacturing operations. We could be subject to liability if we do not comply with these regulations. In addition, we may be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by us but at which we have been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in jurisdictions where we conduct business could adversely affect our operations due to increased costs of compliance and potential liability for non-compliance.

We manufacture products and perform various services that create exposure to product and professional liability claims and litigation. If such products, systems and services are not properly designed, manufactured or delivered, personal injuries, property damage or business interruptions could result, which could subject us to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful. Furthermore, defective products could result in loss of sales or loss of customers and would consequently have a materially adverse effect on our reputation and market perception which in turn could have a significant adverse effect on our sales and results of operations and our financial position.

Potential damages claimed by customers, delayed deliveries, or our failure to comply with quality requirements could negatively affect the market acceptance of our other products and our market reputation in various market segments. The realization of any of these risks could have a material adverse effect on our business, financial position and results of operations.

There can be no assurance that we will be able to continue to successfully avoid, manage and defend such matters. In addition, given the inherent uncertainties in evaluating certain exposures, actual costs to be incurred in future periods may vary from our estimates for such contingent liabilities. We cannot provide assurance that our reserve set aside and/or product liability insurance we purchased with third-party carriers will be sufficient to cover these or other liabilities and costs. If we are unable to defend ourselves against material product liability or warranty claims, its business, financial condition and results of operations may be materially and adversely affected.

Our business is subject to certain governmental regulations and approvals.

In order to operate our businesses and in response to our expanded international markets, we are required to obtain and comply with various permits, licenses, certificates, consents and other approvals from administrative authorities. For example, our products are required to be certified by government authorities or industry standard-setters in some of the key markets we operate in, such as North America, Europe and Asia. Each approval is dependent on the satisfaction of certain conditions and failure to obtain governmental approvals could have an adverse effect on our operations. We are also subject to inspections, examinations, inquiries and audits by governmental authorities as part of the process of maintaining or renewing our permits, licenses or certificates.

There can be no assurance that we will be able to fulfill the pre-conditions necessary to obtain the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations. There may be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals.

Our business and platforms generate and process certain consumer and other data, and the improper use or disclosure of such data could subject us to fines and legal liability and harm our reputation.

Our business and platforms generate and process certain transaction data, user personal information and user behavioral data, as well as confidential customer and employee data. We face a variety of risks inherent in handling data, including:

- protecting the data in and hosted on our systems or platforms;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

We are subject to data protection laws and regulations both in the PRC and in other jurisdictions where our customers, suppliers, platform users and other counterparties are located. The laws, rules and regulations of other jurisdictions may impose more stringent or conflicting requirements and penalties than those in China, and compliance with these requirements could require significant resources and costs. For example, within the European Economic Area and in the United States, data protection legislation is comprehensive and complex and there has been a recent trend toward more stringent enforcement of requirements regarding protection and confidentiality of personal data.

Failure or partial failure to comply with data protection rules and regulations could result in substantial monetary fines. There can be no assurance that measures taken by us to implement the requirements are sufficient to ensure compliance with applicable data protection laws and regulations. Even if we believe we will be in compliance with such laws and regulations as a result of these measures, the competent regulatory authorities may conclude otherwise.

Failure, if any, on our part or on the part of third-parties to adequately safeguard consumer data and any wrongful use of such information or disclosure to unauthorized persons or entities could subject us to claims for damages or other liability, fines, a loss of customers and reputational damage, all of which could have a material adverse effect on our business, results of operations, or financial condition.

We store users' and customers' proprietary information, and any theft or security breaches would expose us to the risk of improper use and disclosure of such information, which would result in litigation and potential liability. Any systems failure or compromise of our security that results in the release of our users' data, or in our or our users' ability to access such data, could seriously harm our reputation and brand and, therefore, our business, and impair our ability to attract and retain users. We will continue to maintain internal procedures and security protections that shield against theft and security breaches. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. These security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. To help protect users and ourselves, we monitor our services and systems for unusual activity and may block unauthorized operations under suspicious circumstances, which, among other things, may result in the delay or loss of user orders, impede user access to our products and services, or subject us to claims or other legal proceedings against us.

Defects related to certain properties leased by us in China may adversely affect our ability to use such properties.

As of the Latest Practicable Date, we lease 11 properties in Nanjing, Hangzhou and Changchun, PRC, with an aggregate floor area of approximately 133,439 sq.m. used as manufacturing facilities, offices and warehouses to support our business operations. Lease contracts for these properties have not been registered as of the Latest Practicable Date primarily due to lack of cooperation from the landlord in providing title certificate and proof of ownership and registering the lease agreement, which were beyond our control. As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations, we might be ordered to rectify this failure to register by competent authority and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 for each lease agreement may be imposed on us as a result, but the legality and validity of the relevant lease contracts are not affected by the lack of registration. The maximum potential penalties in connection with the non-registration of our lease agreements are RMB110,000 (US$17,267.9). While we have not been subject to any penalty or disciplinary action relating to the failure to register such lease agreement, we cannot assure you that we will not be subjected to penalties or other disciplinary actions for our past and future non-compliance.

In addition, we were not provided with a valid title certificate in respect of one of our leased properties, which is used as a temporary warehouse, and we may not be able to enforce the lease agreement in relation to this property. See the section headed "Business – Properties" in this prospectus for more details. We may not be able to continue to use such property if the validity of such lease is challenged by third parties. In such a scenario we will have to relocate to other premises, which could result in additional costs. As of the Latest Practicable Date, we were not aware of any challenge by third parties or government authority of such title defect. We cannot assure you that in the future, we may not encounter such challenges. In addition, in the event of relocation, we may incur additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

Our insurance coverage may not be adequate to cover all the risks relating to our business and operations.

As of the Latest Practicable Date, we had obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in China. For more details on our insurance policies, see the section headed "Business – Insurance" in this prospectus. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial conditions and results of operations may be materially and adversely affected.

Failure to accurately forecast demand may result in excess or insufficient inventory levels, which could increase our inventory holding costs, cause inventory build-up, lead to channel stuffing, cause us to lose sales opportunities or decrease our profit margins.

Incorrect forecasting of demand in the future could result in us experiencing an excess or a shortage of inventory. The long lead times between ordering and delivery and the need to commit for seasonal products a long time in advance make it more difficult to accurately match the demand for such items. If orders do not match actual demand, we could have higher or lower than anticipated stock levels and this could lead to higher interest charges or less interest income, price reductions or write downs of slow moving or excess stock resulting in lower profits.

Our ability to track inventory levels of our customers in certain regions or customer segments is limited. Our current policy requests home center, mass market and distributor customers to provide us with regular inventory and sales reports. The purpose of tracking inventory levels is mainly to gather sufficient information and data regarding the market acceptance of our products so that we can reflect the end-users' preferences in the design of our products in the next season. The tracking of inventory level also provides useful information such as the market recognition of our products in a particular region so that we can realign our marketing strategy if needed. However, the implementation of the policy requires the cooperation of our customers in accurately and timely reporting and submitting the relevant data to us, and we may not be able to ensure the accuracy of the data provided by the retail outlets or identify or prevent any excessive inventory build-up at these retail outlets. If we are unable to track our sales and use the data to manage inventory and reflect end-user preferences in our product design, we are subject to the risk of inventory build-up or channel stuffing, and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risk on our accounts receivable.

While our outstanding trade receivables are covered by credit insurance and we have procedures to monitor and limit exposure to credit risk on its trade receivables, there can be no assurance such insurance coverage or procedures will effectively limit our credit risk and avoid losses, which could have an adverse effect on our financial condition and operating results. Our customers may also face difficulties in borrowing or otherwise obtaining the cash to support their own activities. If we or our customers are unable to borrow or otherwise obtain cash on favorable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial position in the future.

As of June 30, 2021, we had deferred tax assets of US$21.5 million. Deferred tax assets arise from deductible temporary differences, as well as unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilized, are recognized. If we suffer losses in the future, we may not be able to utilize all of our deferred tax assets, which could affect our financial position in the future.

The determination of fair value changes of financial assets at fair value through profit or loss is based on significant unobservable inputs, and therefore inherently involves a certain degree of uncertainty. Fair value changes of such assets could adversely affect our results of operation and financial condition.

As of December 31, 2018, 2019 and 2020 and June 30, 2021, our financial assets at fair value through profit or loss were US$33.1 million, US$20.9 million, US$11.2 million and US$8.7 million, respectively. We use unobservable inputs, such as net asset value of underlying investments and expected return rate, in valuing our financial assets at fair value through profit or loss. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. In addition, fair value changes of financial assets at fair value through profit or loss could adversely affect our results of operation and financial condition. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of the relevant financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

We face risks relating to our interest in associates.

As of June 30, 2021, we had US$58.3 million of interest in associates. Our interest in associates is related to Chervon Auto Precision Technology, which primarily engages in manufacturing, research and development and sales of auto parts. Our associates are accounted for using the equity method in our consolidated financial statements. In 2018, 2019, 2020 and the six months ended June 30, 2021, we recognized share of profits of associates of US$4.3 million, US$9.2 million, US$6.7 million and US$2.8 million, respectively. However, there can be no assurance that we will continue to recognize share of profits of associates in the future. In the event that our associates record losses, our results of operations could be adversely affected. Furthermore, in the event no dividend is declared by the relevant associates, we are also subject to liquidity risk related to our interest in associates. As we report the profits and losses of associates using the equity method, there is no cash flow from the associates to the Group until dividends are paid, which makes interest in associates not as liquid as certain other types of investments. While Chervon Auto Precision Technology is a publicly traded company and does not present the same level of liquidity risk as privately held companies do, we are nonetheless subject to liquidity risk in the event that we are not able to sell our equity interests due to adverse market conditions. In the future, we also may acquire interests in associates which are privately held companies that may present risks as described above, and our results of operations may be materially and adversely affected if these risks materialize.

We have granted and may continue to grant share-based awards in the future under our share incentive scheme, which may result in significant share-based payment expenses.

We adopted a share incentive scheme (the "**Share Incentive Scheme**") in December 2020 for the purpose of providing incentives to qualified employees. Pursuant to the Share Incentive Scheme, we granted certain qualified employees the right to subscribe a total of 11,670,500 ordinary shares of the Company (the "**Share Awards**") in December 2020. The subscription price for the Share Awards was HK$4.7529 (equivalent to US$0.6096) per share. The Share Awards had no service condition and were fully vested in December 2020. We recognized US$21.1 million share-based payment expense for 2020. We may continue to grant equity awards, which we believe is of significant importance to our ability to attract and retain key personnel and employees. As a result, we may recognize significant share-based payment expenses in the future, which could have an adverse effect on our financial condition and results of operations.

Unfavorable economic and geopolitical conditions in the markets in which we operate, such as the trade tensions between China and the United States, may adversely affect our sales.

Our business is dependent on the strength of the retail, commercial and industrial sectors and general global economic conditions, particularly within North America, Europe and APAC. A significant deterioration of global economic conditions, such as a temporary or continued economic slowdown, recessions or sustained loss of consumer confidence and consumer demand, could trigger a decline (including decreasing production and reduction of capacity) in industries and markets in which we operate (which may react with even more volatility than in the case of a downturn of overall global or regional economic conditions) and therefore have a material adverse effect on our business, results of operations and financial position. We could also be negatively impacted by economic crises in specific countries or regions, including the deterioration in the creditworthiness of, or a default by, the issuers of sovereign debt. Such events could negatively impact our overall liquidity and/or create significant credit risks relative to our local customers and depository institutions. Our business and prospects depend heavily on the performance of the home improvement, residential construction and infrastructure construction markets, particularly in North America and Europe. In 2020, approximately 66.5% and 24.7% of our revenue was attributed to sales in North America and Europe, respectively. As a result, our profitability may be materially and adversely affected as a result of the cyclicality of economic conditions in such major markets. Significant factors that impact the home improvement, residential construction and infrastructure construction markets include the inventory levels of unsold new and existing homes, general and regional economic conditions, consumer confidence and credit, terms and availability of mortgage financing, affordability of homes, interest rates, energy costs and, on a more localized basis, weather conditions and natural disasters.

Demand for some of our products may decline if the U.S. markets deteriorate or there is any prolonged downturn in the U.S. markets. For example, if the infrastructure construction market is affected by such economic conditions, demand for our professional and high-end tools may decline. Demand may also decline if the home improvement and infrastructure construction markets in Europe or in other regions where we operate deteriorate. In addition, the general weakness in our major markets in the United States and Europe, both of which are heavily dependent on business and consumer confidence and credit, may further erode the credit-worthiness of certain customers resulting in increased write-offs of customer receivables. If demand for our products in its major markets declines, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we may be adversely affected by political, geopolitical, economic or social developments in any of the countries in which we operate. Our operations are also subject to a variety of other risks and uncertainties related to trading in numerous foreign countries, including political or economic upheaval and the imposition of any import, export, investment or currency restrictions, including tariffs and import or export quotas or any restrictions on the repatriation of earnings and capital. The materialization of such risks or uncertainties could have a material adverse effect on our business, results of operations and financial position.

We face particular risks relating to international trade agreements and regulations such as the North American Free Trade Agreement and the activities and regulations of the World Trade Organization. We cannot provide assurances that the reduction or elimination of certain duties or trade quotas implemented by these trade agreements will continue. These trade agreements may also impose additional requirements, such as setting quotas on products that may be imported from a particular country into key markets such as those of the U.S. or the E.U.. Any increased costs resulting from compliance with these trade agreements may have a material adverse effect on our business, financial condition and results of operations.

The ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States imposed on PRC imports have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. In 2018, 2019, 2020 and the six months ended June 30, 2021, 37.1%, 32.5%, 36.7% and 22.8% of our revenue was attributable to sales that were subject to U.S. tariffs, respectively. The majority of our products sold to the U.S. were List 4 products, and the tariff rates for almost all of our List 4 products were zero from January 2018 to August 2019. Beginning on September 1, 2019, the tariff rate for List 4 products was raised to 15%. In January 2020, United States and PRC signed a phase one trade deal upon which tariffs of 15% that had been imposed on certain List 4 products from September 2019 were reduced to 7.5% and the tariffs to be imposed on the remainder of List 4 products were delayed indefinitely. The tariffs have remained as of the date of this prospectus which make Chinese goods more expensive and have led U.S. companies to shift some purchases to other countries such as Vietnam. A substantial portion of our products exported to the United States and the materials required for production of our products are considered as “List 4 products” of the Section 301 action undertaken by the United States Trade Representative and are subject to the increased tariffs. In 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, our duty costs relating to U.S. tariffs were US$0.6 million, US$8.5 million, US$28.4 million, US$15.5 million and US$7.9 million, respectively. We cannot assure you that we will be able to fully offset the impact of tariffs on our financial condition, results of operations or cash flows. In addition, political tensions between PRC and the United States have escalated in recent years due to, among other things: (i) the aforementioned trade tensions, (ii) the COVID-19 pandemic, (iii) the PRC National People’s Congress’ passage of Hong Kong national security legislation, (iv) the imposition of U.S. sanctions on certain Chinese officials from PRC’s central government and the Hong Kong by the U.S. government, and the imposition of sanctions on certain individuals from the U.S. by the Chinese government, and (v) various executive orders issued by the U.S. government affecting certain Chinese companies. Rising political tensions between PRC and the U.S. could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and Chinese governments may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of PRC and may cause investors to lose confidence in companies with substantial operations in PRC, including us. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

The United Kingdom and the European Union signed the trade deal relating to the withdrawal of the United Kingdom from the European Union ("Brexit") on December 30, 2020 and the United Kingdom completed its separation from the European Union with effect from January 1, 2021. While the United Kingdom and European Union have reached the trade deal, the long-term effect of Brexit remains uncertain, and Brexit has created, and may continue to create, negative economic impact and increase volatility in the global markets. These could include further a fall in the value of the key trading currencies such as the Euro and/or greater volatility of markets in general due to the increased uncertainty.

Global economic fluctuations have significant impacts on the global economy and on our business. First, a rise in global trade protectionism will negatively impact the trade-dependent economies in Asia. Second, the interplay of U.S. fiscal and monetary policies, and aggressive quantitative easing programs in Japan and Europe may lead to more volatile global capital flows, which could in turn impact global growth. Third, financial market volatility and increased uncertainty may have a broader global economic impact that may in turn have a material adverse effect on our business, financial condition and results of operations. Inflationary pressures have also started to increase as the rebound in global commodity prices and weak domestic currencies have led businesses to pass on the increased input costs to consumers through higher selling prices. To the extent uncertainty regarding the economic outlook negatively impacts consumer confidence globally, our business and results of operations could likewise be significantly and adversely affected.

In addition, despite recent stabilization of the sovereign debt of several countries of the Eurozone, not all uncertainties regarding the stability and overall standing of the European Monetary Union have disappeared. Concerns that the Eurozone sovereign debt crisis could worsen again may lead to the reintroduction of national currencies in one or more Eurozone countries or, in more extreme circumstances, to the dissolution of the Eurozone. The withdrawal or risk of withdrawal of one or more countries from the Eurozone and/or the entire dissolution or the risk of the entire dissolution of the Eurozone could have major negative effects on both existing contractual relations and the fulfillment of obligations by us and/or our customers, which could have a material adverse effect on our business, results of operations and financial position.

We are subject to import and export regulations.

In importing or exporting supplies or finished goods among the different countries in which we do business, we are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases, unilateral action (e.g., anti-dumping and counter-veiling tariffs). Additional quotas, duties, tariffs or other restrictions on imports and exports, including restrictions on manufacturing operations, may be imposed from time to time and compliance may be costly. Adverse changes in import and export laws and regulations or our failure or the failure of our suppliers to comply with customs regulations or similar laws may expose us to increased costs and delay the transportation of our products to market. As a major portion of our sales are made to the North America and Europe, our success depends particularly on various US import laws and export control and economic sanctions laws, which may affect our transactions with our customers, business partners and other persons, including in certain cases dealings with or between our employees and subsidiaries. We also have manufacturing operations located in several countries and are subject to diverse raw material and component import controls and product export controls. In certain countries, economic sanctions regulations may prohibit the export of certain products, services and technologies, or we may be required to obtain an export license prior to the export of the controlled item. Compliance with the various import and export laws that apply to our business can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory price or exchange controls could limit our operations in certain countries and make the repatriation of profits difficult.

We are subject to national and local environmental and health and safety directives, laws and regulations.

Our manufacturing operations are subject to numerous national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of our facilities and standards relating to the discharge of pollutants to air, soil and water. For example, we must package and transport our lithium-ion batteries and products containing such batteries in accordance with relevant international and national laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material administrative penalties relating to such laws and regulations. Nonetheless, if we were found to violate environmental, health and safety laws and regulations in the future, our business, results of operations and financial condition could be materially and adversely affected. In addition, risks of substantial costs and liabilities, including those related to the investigation and remediation of past or present contamination, are inherent in our ongoing operations and in our ownership or occupation of industrial properties. Claims for damages to property or injury to persons resulting from environmental, health or safety impacts of our operations or past contamination, could suspend our operations, result in the imposition of fines, penalties or liens, or give rise to civil or criminal liability. Compliance with these regulations may also require us to alter our manufacturing processes and our supply sourcing. In addition, some environmental directives specifically regulate environmental impacts associated with electrical and electronic equipment, such as the Waste Electrical and Electronic Equipment (the "**WEEE**") directive in the European Union that imposes responsibility on manufacturers and importers of electrical and electronic equipment for the cost of recycling, treatment and disposal of such equipment after its useful life. We cannot provide assurances that our policies and procedures to ensure compliance with these directives will be sufficient. We cannot provide assurances that we will not incur health and safety or environmental losses beyond the limits, or outside the coverage, of any insurance or that our provisions for health and safety and environmental remediation or related costs will be sufficient to cover the ultimate loss or expenditure. Furthermore, over time, environmental and health and safety laws and regulations and the enforcement thereof may become increasingly stringent and we may incur material costs associated with compliance with new laws and regulations. Any or all of the above factors and risks may have a material adverse effect on our business, financial condition and results of operations.

We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.

We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations. Under relevant PRC laws and regulations, we are required to make social insurance fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make the social insurance fund and housing provident fund contributions in full for some of our employees of our PRC subsidiaries. As advised by our PRC Legal Adviser, in respect of the outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance funds within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable for a fine of one to three times the amount of the outstanding contributions. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, we estimate that the shortfall amounts of such social insurance contributions were RMB10.6 million (US$1.7 million), RMB11.6 million (US$1.8 million), RMB12.8 million (US$2.0 million) and RMB7.5 million (US$1.2 million), and the corresponding late payment fees that we may be liable for are RMB1.9 million (US$0.3 million), RMB2.1 million (US$0.3 million), RMB2.3 million (US$0.4 million) and RMB0.7 million (US$0.1 million), respectively. This amounts to a total of RMB7.0 million (US$1.1 million) in maximum late payment fees that we may be liable for. If we are ordered to make such payment by competent government authorities, we will do so within the prescribed time period and we do not expect to incur fines for the outstanding amounts of social insurance contributions. In respect of the outstanding housing provident fund contributions, we may be demanded by the relevant PRC authorities to pay the underpaid amount to the housing provident fund within a prescribed time limit, failing which we may be subject to the compulsory enforcement by the People's Court. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, we estimate that the shortfall amounts of such housing funds contributions were RMB3.5 million (US$0.6 million), RMB3.8 million (US$0.6 million), RMB4.2 million (US$0.7 million) and RMB2.5 million (US$0.4 million), respectively. If we were ordered to make such payment, we will do so within the prescribed time period, and we do not expect to incur late payment fees or fines for any outstanding amounts of contributions. Our PRC Legal Adviser is of the opinion that the risk of us being fined is remote provided that we pay the unpaid amount for social insurance and housing provident funds in full amount in a timely manner after receiving notices to rectify such non-compliance from the relevant PRC authorities. As of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the outstanding contributions to the social insurance and the housing provident funds or fine in relation thereto. See the section headed "Business – Legal Proceedings and Compliance" in this prospectus for details. However, we cannot assure you that we will not be subject to any order to rectify the non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC Government or relevant local authorities.

The enforcement of Chinese Labor Contract Law, Social Insurance Law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to Chinese Labor Contract Law (《中華人民共和國勞動合同法》), effective in January 2008 and amended in December 2012, and its implementation rules that became effective in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Chinese Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In addition, we experience fluctuations in our labor demand from time to time, and there can be no assurance that we will be able to recruit sufficient employees to satisfy such demand.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated Chinese Social Insurance Law (《中華人民共和國社會保險法》), which became effective on July 1, 2011 and was amended on December 29, 2018. According to the Chinese Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

In addition, under the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), effective in April 1999 and amended in March 2002 and March 2019, employers are required to pay housing provident fund for their employees according to the statutory payment base and payment ratio.

As the interpretation and implementation of the Chinese Labor Contract Law, the Chinese Social Insurance Law and other labor related regulations are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Our manufacturing operations are located in several different countries, each with their own regulatory regime.

Our manufacturing operations are located in several countries, including the PRC, Vietnam and Germany. We expect that manufacturing in, and sourcing our supplies from the PRC will represent a substantial portion of our total production capacity. The regulatory regime of the PRC, in particular, differs from those found in most developed countries, particularly in the level of government involvement. Although the PRC government has for the past two decades implemented economic reforms that affect the regulatory regimes applied to manufacturing and other facilities, many of these reforms are experimental or unprecedented and may have unexpected results affecting our manufacturing operations and supply sources in the PRC. The PRC government has also expressed an intention to take measures to maintain economic growth at a sustainable level including certain restrictions on bank loans, any of which may affect the operating liquidity of our, or our suppliers', manufacturing and other facilities. In each of the countries in which we locate our manufacturing or other facilities, we will continue to be exposed to unexpected changes in regulatory requirements, potentially adverse tax and regulatory consequences, currency exchange restrictions, tariffs and other trade barriers, political instability and the threat that its operations or property could be subject to nationalization or expropriation. Any or all of the above factors and risks may have a material adverse effect on our business, financial condition and results of operations.

We have a large labor force and our labor costs may be increased due to changes in applicable labor laws.

Our manufacturing and research and development facilities are located in the PRC, Vietnam, Germany, the United States, the United Kingdom and the Netherlands. The labor laws and protections given to employees differ in each of the jurisdictions in which we operate and such laws and protections are subject to change. The trend toward increasing employee protection in each of the countries in which we locate our manufacturing operations may increase our labor costs. Our direct labor costs amounted to US$25.3 million, US$30.6 million, US$42.5 million, US$16.2 million and US$33.5 million in the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, and represented 3.7%, 3.6%, 3.5%, 3.1% and 3.9% of the total cost of sales for the same years or periods, respectively. With our large work force, we are also exposed to the risk of work stoppages and union and other potential labor disputes. If such labor disputes are resolved in favor of its employees, we may be required to change our employment and compensation policies. We also cannot provide assurance that our present employment policies are or will remain in compliance with all applicable laws and regulations and that it will not be required to pay associated penalties. If we are exposed to penalties for non-compliance with applicable labor laws and regulations or if we are unable to maintain our relations with our employees, our business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

The economic, political and social conditions in China, as well as government policies, laws and regulations, could affect our business, financial conditions and results of operations.

A substantial portion of our business operations are in China and part of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in China is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations and setting monetary policies.

While the Chinese economy has experienced significant growth in the last few decades, growth has been uneven across both geographic regions and the various sectors of the economy, growth rates have begun to decelerate, and growth may not continue. Any severe or prolonged slowdown in the Chinese or global economy may have a negative impact on our business, financial conditions and results of operations. Economic conditions in China are sensitive to global economic conditions. The global macroeconomic environment is facing challenges, including the end of quantitative easing and start of interest rate hikes by the US Federal Reserve, the economic slowdown in the Eurozone since 2014 and the withdrawal of the United Kingdom from the EU at the end of January 2020. The Chinese economy has shown slower growth since 2012 compared to the previous decade and the trend may continue. There have also been concerns over unrest in North Korea, Ukraine and the Middle East, which have resulted in volatility in financial and other markets in recent years. The concerns over the trade and economic policies of the United States government, which have contributed to, among other things, tensions between the United States and China. In particular, the imposition of tariffs on Chinese products by the United States may result in a decrease in China's exports and a slowdown of the Chinese economy, which would in turn reduce domestic consumption. There have also been concerns about the economic effect of the tensions in the relationship between China and surrounding Asian countries. Should any of these situations occur, our business and financial conditions will be negatively impacted. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Some of our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As our principal operations are conducted in China, our operations are materially affected by PRC laws and regulations. However, since the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, certain important aspects of PRC corporate laws are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Hong Kong Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions. Intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with the local counterpart of the MOFCOM. We cannot assure you that we will be able to accomplish these government registrations or filing procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing procedures, our ability to use the proceeds of the Global Offering and to capitalize our operations in China may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct a substantial part of our operations through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Implementation Rules**"), the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates (《國家稅務總局關於下發協定股息稅率情況一覽表的通知》), or Notice 112, which was issued on January 29, 2008 and amended on February 29, 2008, the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**China-Hong Kong Tax Arrangement**"), which became effective on December 8, 2006, and the Announcement of the State Administration of Taxation on Issues Concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) (the "**Announcement 9**"), which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if we are considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the China-Hong Kong Tax Arrangement. According to the Announcement 9, the PRC tax authorities must evaluate whether an applicant qualifies as a "beneficial owner" on a case-by-case basis. The Announcement 9 provides that tax treaty benefits will be denied to companies without business substance, and a beneficial ownership analysis will be adopted to determine whether or not to grant the tax treaty benefits. It is unclear whether Announcement 9 applies to dividends from our PRC subsidiaries paid to us. If, under Announcement 9, we were not considered the "beneficial owner" of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the more favorable 5% rate applicable under the China-Hong Kong Tax Arrangement. In that case, our financial position and results of operations may be materially and adversely affected.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws.

Under the EIT Law and EIT Implementation Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realized from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from "sources within the PRC." According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders' investments in our Shares may be materially and adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes and be subject to a tax rate of 25% on our global income.

Pursuant to the EIT Law, which came into effect on January 1. 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside the PRC whose "de facto management body" is located in the PRC is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**"), as amended on January 29, 2014, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. In addition, Circular 82 also requires that the determination of "de facto management body" shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) ("**Bulletin 45**"), which took effect on September 1, 2011 and amended on June 1, 2015, October 1, 2016 and June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese controlled offshore incorporated resident enterprises". Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. Most of our Directors and senior management are currently based in the PRC; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("SAT Circular No. 7") issued by the SAT.

On February 3, 2015, the SAT issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) ("**SAT Circular No. 698**"), previously issued by the SAT on December 10, 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding the enterprise income tax in the PRC and lack any reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where a non-resident enterprise had directly held and disposed of such PRC Taxable Assets, and the income from the transfer could be exempted from the enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside China involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our reorganization, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable re-sources to comply with SAT Circular No. 7 or to explain that we and our non-resident subsidiaries should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial conditions, results of operations and growth prospects. October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the "SAT Circular No. 37"), which became effective on December 1, 2017 and abolished SAT Circular No. 698 as well as certain provisions in SAT Circular No. 7. Pursuant to SAT Circular No. 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority. The taxable gain is calculated as the income from such transfer net of the net book value of equity interest.

We have conducted and completed, and in the future may conduct acquisitions involving changes in corporate structures, and historically our Shares were transferred by certain then Shareholders to our current Shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation by the PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

Most of our Directors and executive officers reside within China, and a substantial part of our assets and the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts unless in accordance with the provisions of the international treaties concluded or acceded to by the foreign country and the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Fluctuations in the value of the RMB and the PRC Government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all our revenue is denominated in US dollar or euro, while a substantial portion of our expenditures are denominated in RMB, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rates between the RMB and the Hong Kong dollars, U.S. dollars or euro will affect our financial condition, results of operations or cash flows. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us.

Movements in RMB exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve certain exchange rate targets and policy goals. In the fourth quarter of 2016, the RMB had depreciated significantly in the backdrop of a surging U.S. dollars and persistent capital outflows of China. This depreciation halted in 2017, and the RMB appreciated approximately 7% against the U.S. dollars during this one-year period. Starting from the beginning of 2019, the RMB has depreciated significantly against the U.S. dollars again. In early August 2019, the PBOC set the RMB's daily reference rate at RMB7.0039 to US$1.00, the first time that the exchange rate of RMB to U.S. dollars exceeded 7.0 since 2008. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars, U.S. dollars or euro in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with SAFE or its local branch. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits or inject capital and could expose us and our PRC resident Shareholders to liability under the PRC laws.

The SAFE Circular No. 37 which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident ("**PRC Resident**") to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Offshore SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division. We are committed to complying with, and requiring that the Shareholders or beneficial owners subject to SAFE Circular No. 37 to comply with the relevant registration requirements. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not fully understand changes to resident statuses of our Shareholders or beneficial owners who are PRC Residents at all times, and we have limited control over, and cannot compel our Shareholders or Beneficial owners who are PRC Residents to comply with Circular No. 37 at all times. In addition, we cannot provide assurance that the Chinese government will interpret the requirements of SAFE Circular No. 37 in a different manner, or release explicit requirements. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

Inflation or deflation in China could negatively affect our profitability and growth.

Economic growth in China has, during certain periods, been accompanied by periods of high inflation, and the PRC Government has implemented various policies from time to time to control inflation. For example, the PRC Government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the PRC Government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC Government measures, our cost of sales will likely increase, and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the PRC Government to control inflation may also slow economic activity in China, reduce demands for our products and decrease our revenue growth, all of which would materially and adversely affect our business, financial conditions and results of operations.

On the other hand, our business could also be affected by deflationary pressures. A decline in general price levels could negatively impact sales growth, operating margins and earnings if our competitors react by lowering their retail pricing. As a result, our business, financial conditions and results of operations could be materially adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the Global Offering, there has not been a public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Joint Representatives on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the Global Offering.

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering. The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the power tool or outdoor power equipment industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;

- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and

- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors who purchase our Shares in the Global Offering.

The market price and trading volume of our Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy for products or services as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our Shares will trade. Further, derivative transactions that may be entered into by investors in our Shares (including cornerstone investors during their lock-up period to the extent that such transactions are not in violation of the lock-up restrictions) for hedging purposes, even if these transactions are settled only in cash, could still result in significant price and trading volume volatility of our Shares. In addition, the stabilization activities to be carried out by the Stabilizing Manager may be curtailed by certain limitations in the over-allocations in the Global Offering, which may affect the market price and trading volume of our Shares as well. See the section headed "Structure of the Global Offering – Stabilization" in this prospectus. Besides, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when the trading commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the Offer Price when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Purchasers of Shares will experience immediate dilution, and a future significant increase or perceived significant increase in the supply of our Shares in public markets could cause the market price of our Shares to decrease significantly, and/or dilute shareholdings of holders of our Shares.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible book value per Share prior to the Global Offering. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share.

In addition, the market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

While investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the Shares they subscribed (except as disclosed in this Prospectus), they may have existing arrangements or agreement to dispose part or all of the Shares they hold immediately or within certain period upon completion of the Global Offering for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date. Any sale of the Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our Shares and any sizeable sale could have a material and adverse effect on the market price of our Shares and could cause substantial volatility in the trading volume of our Shares.

There can be no assurance if and when we will pay dividends in the future. Dividends distributed in the past may not be indicative of our dividend payment in the future.

We have adopted a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of our total net profit attributable to us for any particular year. Assuming the Listing occurs in 2021, 2022 will be the first year for which our total net profit attributable to us will be used for purposes of declaring and paying dividends in accordance with the aforementioned general annual dividend policy.

However, the declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our Shareholders. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under applicable laws, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration of dividend payments. As a result, our historical dividend distributions are not indicative of our future dividend distribution policy. There can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. In addition, our Directors may reassess our dividend policy in the future. See the section headed "Financial Information – Dividend Policy" in this prospectus for more details of our dividend policy.

Waivers were granted from compliance with certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a number of waivers and consents under the Hong Kong Listing Rules. See the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus for further details. We cannot assure you that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs, and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders being Mr. Pan and Panmercy will together control approximately 54.3% of our issued share capital. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where it is required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of us that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always coincide with us or your best interests. If the interests of the Controlling Shareholders conflict with the interests of us or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of us or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

Facts and statistics in this prospectus relating to the market and the industry we operate may not be fully reliable, and statistics in this prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the section headed "Industry Overview" in this prospectus.

Facts and statistics in this prospectus relating to the market and the industry we operate, including those relating to the economy and the global power tool and outdoor power equipment industry, are derived from various publications of governmental agencies or industry associations, or an industry report prepared by Frost & Sullivan and commissioned by us. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry and/or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industry and/or the Global Offering. None of us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. As none of our executive Directors currently resides in Hong Kong, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in China and the United States. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that we will have proper arrangements to maintain regular communication with the Stock Exchange. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Ms. Zhang Tong ("**Ms. Zhang**"), our executive Director and Mr. Hu Yian ("**Mr. Hu**"), our joint company secretary and chief financial officer;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information, including mobile phone numbers, office phone numbers and e-mail addresses, to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives have means for contacting all Directors promptly at all times as and when required;

(c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(d) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorized representatives and Directors. In turn, they will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules.

WAIVER IN RELATION TO OUR JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles they played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Hu and Ms. Chow Yuk Yin Ivy ("**Ms. Chow**"), as joint company secretaries. See the section headed "Directors and Senior Management – Joint Company Secretaries" in this prospectus for their biographies.

Ms. Chow is a member and fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom, and therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

While Mr. Hu does not possess the formal qualifications required of a company secretary, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the Listing Date, subject to the conditions that (i) Ms. Chow is appointed as a joint company secretary to assist Mr. Hu in discharging his functions as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the wavier can be revoked if there are material breaches of the Listing Rules. The waiver will be revoked immediately if Ms. Chow, during the three-year period, ceases to provide assistance to Mr. Hu. We will also adopt the following arrangements:

(a) Ms. Chow will work closely with and provide assistance to Mr. Hu in the discharge of his duties as a company secretary, so as to enable Mr. Hu to acquire the "relevant experience" as is required under Rule 3.28 of the Listing Rules;

(b) Mr. Hu will comply with the requirement under Rule 3.29 of the Listing Rules to attend relevant professional training, so as to gain familiarity with the Listing Rules and other relevant Hong Kong laws and regulations;

(c) our Company will ensure that Mr. Hu and Ms. Chow have access to relevant training, support and advice from our compliance adviser (appointed pursuant to Rule 3A.19 of the Listing Rules) and our Company's legal and professional advisers, who can provide professional guidance to us and our joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations; and

(d) prior to the end of the initial three year period, the qualifications and experience of Mr. Hu will be re-evaluated to determine whether, having benefited from the assistance of Ms. Chow, Mr. Hu has acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires that there must be an open market in the securities for which listing is sought. Under Rule 8.08(1)(a) of the Listing Rules, this will normally mean that at least 25% of the issuer's total issued share capital must at all times be held by the public. However, under Rule 8.08(1)(d) of the Listing Rules the Stock Exchange may, at its discretion, accept a lower percentage between 15% and 25% in cases where:

(i) the issuer will have an expected market capitalization at the time of listing of over HK$10 billion;

(ii) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(iii) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(iv) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(v) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules and that the minimum percentage of the Shares from time to time held by the public will be the higher of: (i) 18.43%, being the percentage of Shares held by the public upon completion of the Global Offering (where the Over-allotment Option is not exercised) and (ii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option.

In support of the application, we confirmed to the Stock Exchange that:

(a) based on the low end of the indicative offer price range of HK$37.60, the market capitalisation of the Company will be approximately HK$18.03 billion immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), which exceeds the minimum level as required under Rule 8.08(1)(d) of the Listing Rules, and therefore satisfies the market capitalisation requirement for a lower public float;

(b) there will be an open market in the Shares and that the number of Shares concerned and the extent of their distribution would enable the market to operate properly with only 18.43% of the total number of issued Shares of our Company in public hands from time to time;

(c) we will undertake to make appropriate disclosure of the lower prescribed percentage of public float of our Company in this prospectus and to confirm the sufficiency of the public float in successive annual reports after Listing; and

(d) we will comply with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of Listing. We will also implement appropriate measures and mechanisms to ensure continuous maintenance of the minimum percentage of public float prescribed by the Stock Exchange.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), on or before Thursday, December 23, 2021, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangement, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set forth in the section headed in "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, our Company may be required to allot and issue up to an aggregate of 10,787,400 additional Shares.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option).

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, December 30, 2021. The Shares will be traded in board lots of 100 Shares each. The stock code of the Shares will be 2285.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

SHARE REGISTER AND STAMP DUTY

All of our Shares issued pursuant to applications made in the Global Offering will be registered on our Company's register of members to be maintained by our Share Registrar, Tricor Investor Services Limited, in Hong Kong.

Dealings in our Shares registered on our Company's register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB or HK$ have been translated, for the purpose of illustration only, into US dollars in this prospectus at the following exchange rates: US$1 to RMB6.3702 and US$1 to HK$7.7967.

No representation is made that any amounts in RMB or HK$ were or could have been, or could be converted into US dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises marked with "*" are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Pan Longquan (潘龍泉)	Flat 7E, Hanfu Yayuan Xuanwu District Nanjing PRC	Chinese
Ms. Zhang Tong (張彤)	Building 52 No. 8 Jiangjun Avenue Jiangning District Nanjing PRC	Chinese
Mr. Ke Zuqian (柯祖謙)	Building 3, Jingui Court, Wenhua Villa Ruijing Garden, Moling Street Jiangning District Nanjing PRC	Chinese
Mr. Michael John Clancy	29307 N. Tortuga Trail Court Rio Verde, AZ 85263 USA	American
Independent Non-Executive Directors		
Mr. Tian Ming (田明)	Room 1803, Block 2 18 Fengfu Road Baixia District Nanjing PRC	Chinese
Dr. Li Minghui (李明輝)	Room 204, Building 28 3 Xikang Road Gulou District Nanjing PRC	Chinese
Mr. Jiang Li (蔣立)	Room 2706 81 Zhongshan Road Gulou District Nanjing PRC	Chinese

See the section headed "Directors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Champion Tower 3 Garden Road Central Hong Kong
Joint Representatives	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Champion Tower 3 Garden Road Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Champion Tower 3 Garden Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen’s Road Central Hong Kong

Joint Bookrunners and Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F Champion Tower 3 Garden Road Central Hong Kong *(in relation to the Hong Kong Public Offering only)*
	Citigroup Global Markets Limited 33 Canada Square Canary Wharf London E14 5LB United Kingdom *(in relation to the International Offering only)*
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
Legal Advisers to Our Company	*As to Hong Kong and U.S. laws:* **Simpson Thacher & Bartlett** 35/F, ICBC Tower 3 Garden Road Central Hong Kong

As to PRC laws:

Jia Yuan Law Offices
F408, Ocean Plaza
No. 158 Fuxing Men Nei Street
Xicheng District
Beijing 100031
PRC

As to U.S. laws and regulations:

Warner Norcross + Judd LLP
1500 Warner Building
150 Ottawa Ave., N.W.
Grand Rapids, Michigan 49503
USA

As to German laws and regulations:

HEUSSEN Rechtsanwaltsgesellschaft mbH
Tower 185 Friedrich-Ebert-Anlage 35-37
60327 Frankfurt am Main
Germany

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. laws:

Sullivan & Cromwell (Hong Kong) LLP
20/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC laws:

Broad & Bright Law Firm
Room 1508, 15th Floor, Tower C
Ocean Office Park, No. 5 Jinghuananjie
Chaoyang District
Beijing 100020
PRC

Auditor and Reporting Accountant

KPMG
Certified Public Accountants
8th Floor, Prince's Building
Central
Hong Kong
G P O Box 50, Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** Room 2504, Wheelock Square 1717 Nanjing West Road Shanghai 200040 China
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	Unit 04, 22/F, Saxon Tower 7 Cheung Shun Street Lai Chi Kok Kowloon Hong Kong
Headquarters	No. 99 West Tianyuan Road Jiangning Economic and Technological Development Zone Nanjing PRC
Principal Place of Business in Hong Kong	Unit 04, 22/F, Saxon Tower 7 Cheung Shun Street Lai Chi Kok Kowloon Hong Kong
Company's Website	**https://global.chervongroup.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Hu Yian (胡以安) Room 102, Building 5 Phase I, Renheng Jiangwan City 198 Leshan Road Jianye District Nanjing PRC Ms. Chow Yuk Yin Ivy (周玉燕) (FCG FCS) 6/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Ms. Zhang Tong (張彤) Building 52 No. 8 Jiangjun Avenue Jiangning District Nanjing PRC

	Mr. Hu Yian (胡以安) Room 102, Building 5 Phase I, Renheng Jiangwan City 198 Leshan Road Jianye District Nanjing PRC
Audit Committee	Dr. Li Minghui (李明輝) *(Chairperson)* Mr. Tian Ming (田明) Mr. Jiang Li (蔣立)
Remuneration Committee	Mr. Tian Ming (田明) *(Chairperson)* Ms. Zhang Tong (張彤) Dr. Li Minghui (李明輝)
Nomination Committee	Mr. Jiang Li (蔣立) *(Chairperson)* Mr. Tian Ming (田明) Mr. Pan Longquan (潘龍泉)
Share Registrar	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance Adviser	**Guotai Junan Capital Limited** 26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	**The Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong **Bank of Communications – Nanjing Jiangning Branch** 1202 Shuanglong Road Jiangning District Nanjing PRC

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics set forth in this section have been extracted from the Frost & Sullivan Report issued by Frost & Sullivan, an independent market research agency, which we commissioned, and from various official government publications and other publicly available publications. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, the Joint Representatives, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to their correctness or accuracy. Accordingly, you should not place undue reliance on such information or statistics.

OVERVIEW

According to the Frost & Sullivan Report, power tools can be broadly defined as the type of tools that operate with additional power and mechanism other than purely manual labor. Examples include screwdrivers, drills, saws, sanders, miter saws and grinders, among others. OPE products can be broadly defined as tools or equipment that are primarily used for lawn, garden or yard maintenance. Examples include lawn mowers, leaf blowers, snow blowers and trimmers, among others.

According to the Frost & Sullivan Report, the value chain of the global power tools and OPE industry can be divided into three links: (i) upstream component producers or suppliers, (ii) midstream manufacturers operating under OBM, ODM and/or original equipment manufacturing ("**OEM**") business models, and (iii) downstream sales and distribution channels. We are a midstream manufacturer with OBM and ODM business models, which mean that we both (i) design, develop, produce and sell products under our own proprietary brands and (ii) design, develop and produce products based on general product descriptions provided by the relevant business partners, and the products bear trademarks of such business partners.

Unless otherwise indicated, the data for the power tool and OPE markets is from Frost & Sullivan, which is derived from the primary and secondary research conducted by Frost & Sullivan, including reviewing the annual reports of the listed companies, analyzing publicly available market reports and interviewing experts from comparable companies and industry associations (collectively referred to as "**Frost & Sullivan Analysis and Estimates**").

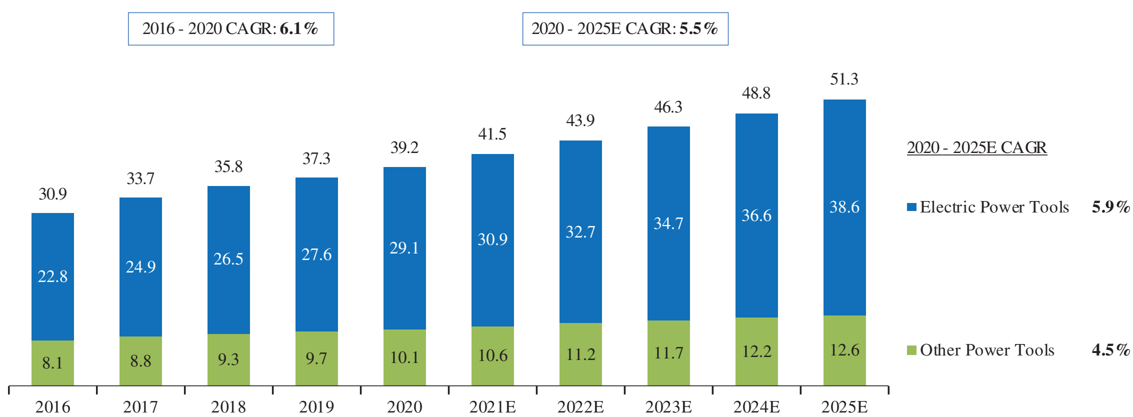
GLOBAL POWER TOOL MARKET

According to the Frost & Sullivan Report, the global power tool market grew at a CAGR of 6.1% from US$30.9 billion in 2016 to US$39.2 billion by revenue in 2020, and is expected to further grow at a CAGR of 5.5% to US$51.3 billion by revenue in 2025.

By Power Sources

According to the Frost & Sullivan Report, power tools can be categorized into two segments by power source, namely electric and other power tools. Electric power tools constituted the larger segment of the market by revenue and are expected to grow at a CAGR of 5.9% to US$38.6 billion in 2025. In the other power tool segment, while pneumatic (air) power tools are emerging as potential alternatives to electric power tools for professional/industrial end users, commercial production of pneumatic tools is still low.

Global Power Tool Market Breakdown by Power Source
(US$ billion, except percentages)



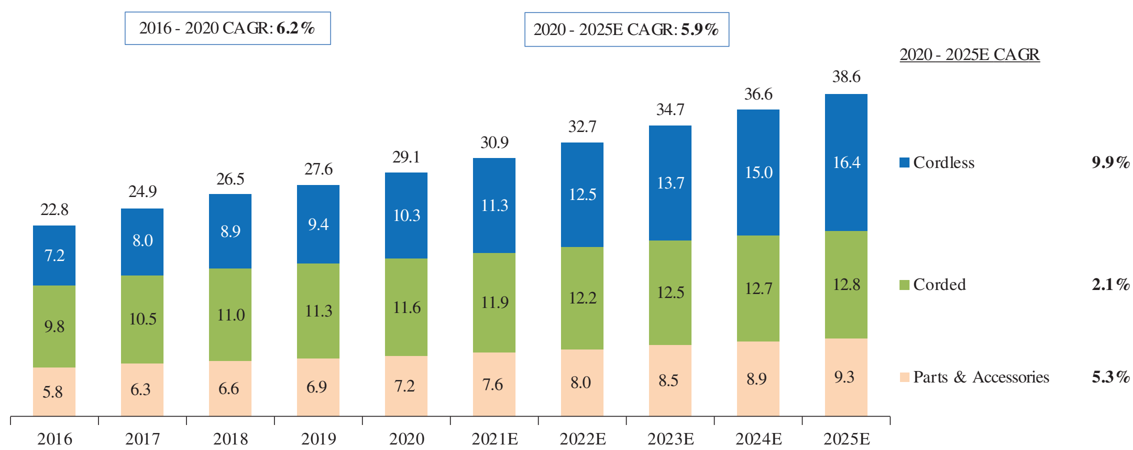
Source: Frost & Sullivan Analysis and Estimates

Electric Power Tool Market

By Power Technology

According to the Frost & Sullivan Report, the dominant global electric power tools can be further categorized into two segments by power technology, namely cordless (or lithium-ion battery powered, direct current or DC) and corded (or alternate current or AC). The cordless segment of the electric power tool market, excluding parts and accessories, is expected to grow at a CAGR of 9.9% from US$10.3 billion in 2020 to US$16.4 billion in 2025, and such expected growth rate is higher than the CAGR of 2.1% for corded segment for the same period.

Global Electric Power Tool Market Breakdown by Power Technology
(US$ billion, except percentages)

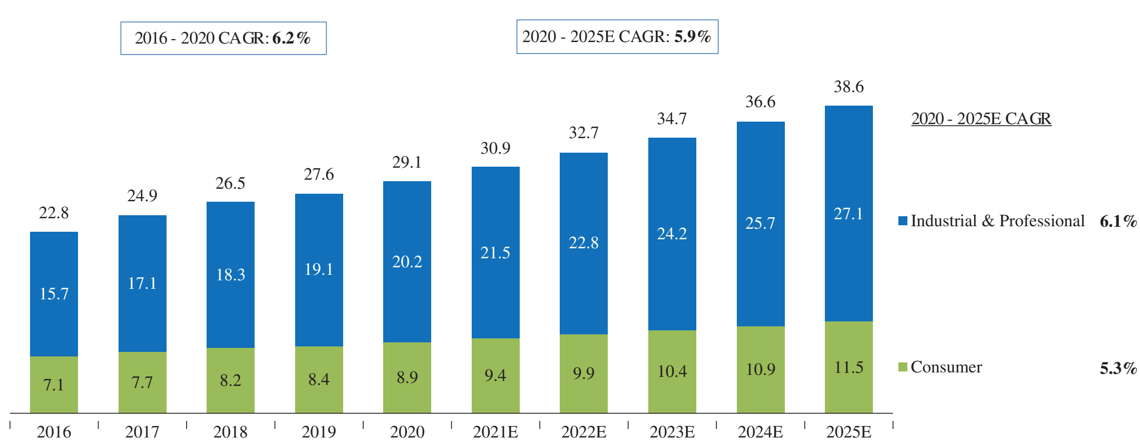


Source: Frost & Sullivan Analysis and Estimates

By End-user Category

According to the Frost & Sullivan Report, the global electric power tools market can be further categorized into two segments by end-user category, namely industrial/professional and consumer. Industrial/professional electric power tools constituted the larger segment of the market and is expected to grow by a CAGR of 6.1% from US$20.2 billion in 2020 to US$27.1 billion in 2025. Consumer electric power tools are expected to grow by a CAGR of 5.3% from US$8.9 billion in 2020 to US$11.5 billion in 2025.

Global Electric Power Tool Market Breakdown by End-user Category
(US$ billion, except percentages)

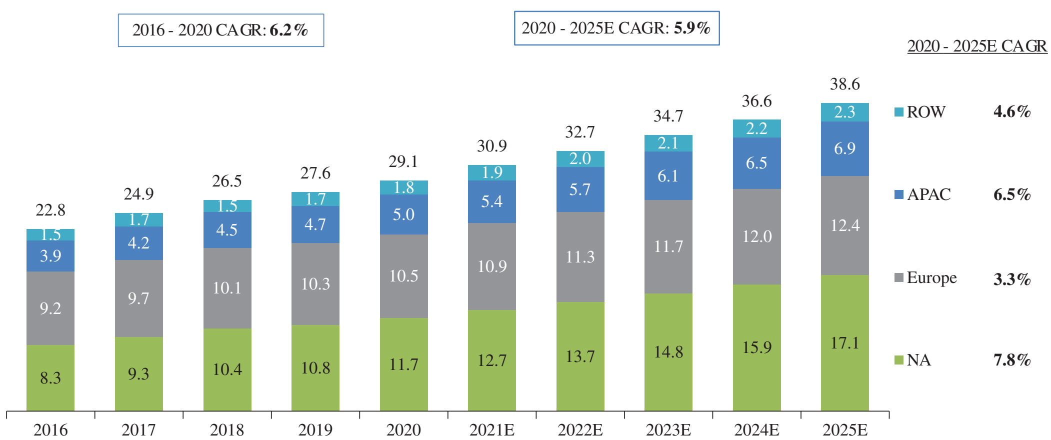


Source: Frost & Sullivan Analysis and Estimates

By Geographic Market

According to the Frost & Sullivan Report, North America and Europe represented the largest geographic markets for electric power tools by revenue and accounted for US$11.7 billion and US$10.5 billion, or 40.2% and 36.1% of the global electric power tool market, respectively, in 2020. The APAC market for global electric power tools accounted for US$5.0 billion, or 17.2% of the global electric power tool market in 2020. The North America market for electric power tools is expected to further grow at a CAGR of 7.8% by revenue to US$17.1 billion in 2025. The Europe market for electric power tools is expected to further grow at a CAGR of 3.3% to US$12.4 billion in 2025. The APAC market for electric power tools is expected to further grow at a CAGR of 6.5% by revenue to US$6.9 billion in 2025.

Global Electric Power Tool Market Breakdown by Geographic Market
(US$ billion, except percentages)

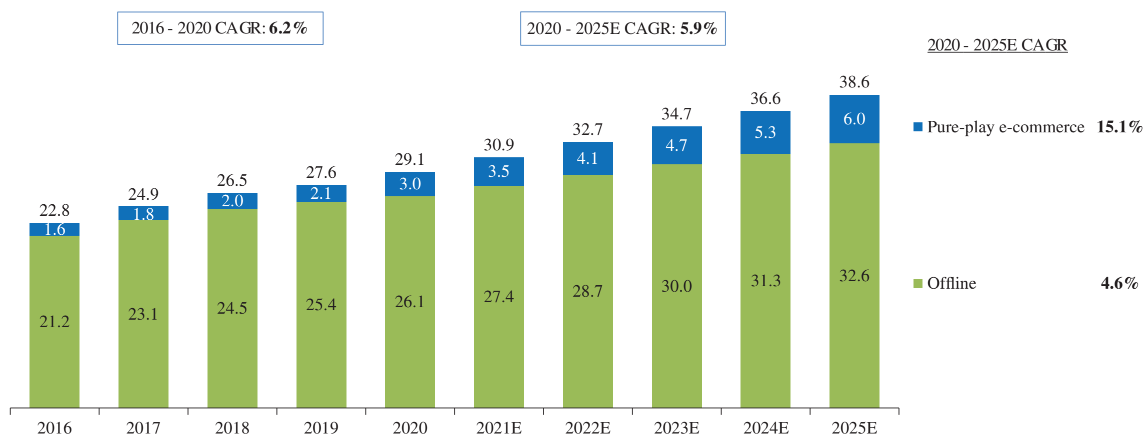


Source: Frost & Sullivan Analysis and Estimates

By Sales Channel

According to the Frost & Sullivan Report, sales channels for the global electric power tools include offline and pure-play e-commerce channels. Offline channels represented a substantial majority of the market and are expected to grow at a CAGR of 4.6% from US$26.1 billion in 2020 to US$32.6 billion in 2025. Pure-play e-commerce channels represented an increasingly important share of the market and are expected to further grow at a CAGR of 15.1% from US$3.0 billion in 2020 to US$6.0 billion in 2025.

Global Electric Power Tool Market Breakdown by Sales Channel
(US$ billion, except percentages)



Source: Frost & Sullivan Analysis and Estimates

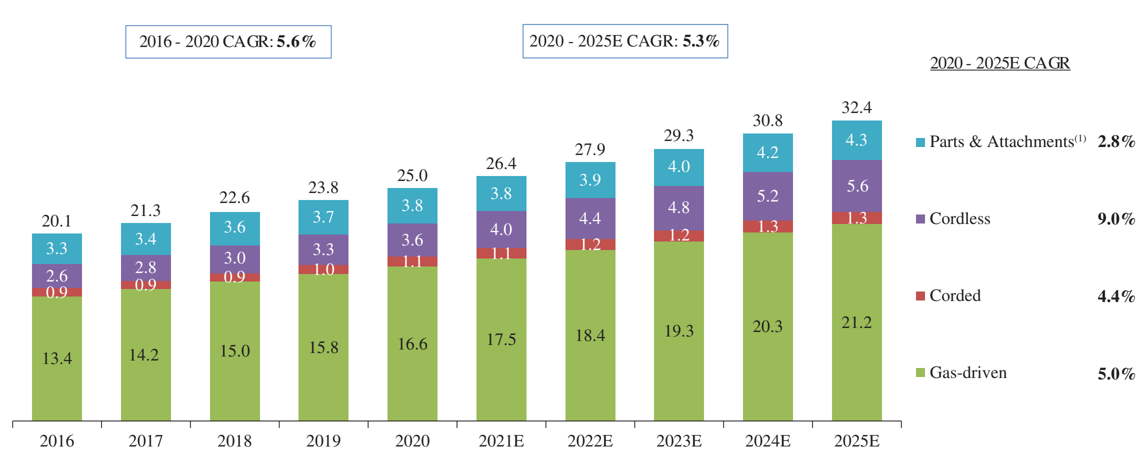
GLOBAL OPE MARKET

According to the Frost & Sullivan Report, the global OPE market grew at a CAGR of 5.6% from US$20.1 billion in 2016 to US$25.0 billion by revenue in 2020, and is expected to further grow at a CAGR of 5.3% to US$32.4 billion by revenue in 2025.

By Energy Sources

According to the Frost & Sullivan Report, OPE products can be categorized into three segments by energy source, namely gas-driven, corded electric and cordless, excluding parts and attachments. The cordless OPE market is expected to grow at a CAGR of 9.0% from US$3.6 billion in 2020 to US$5.6 billion in 2025, and such growth rates are higher than other segments during the same periods.

Global OPE Market Breakdown by Energy Source
(US$ billion, except percentages)



Note:

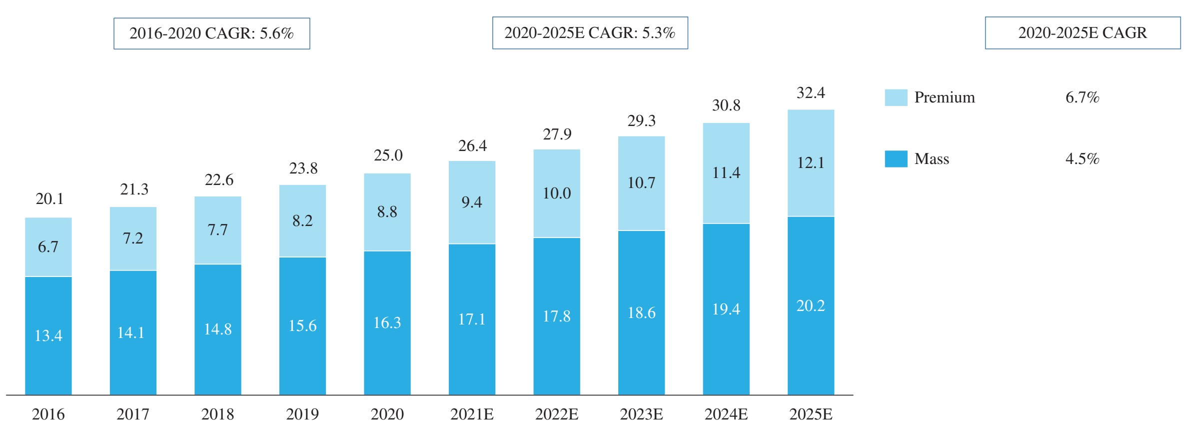
(1) Parts and attachments include all OPE parts and attachments sold separately.

Source: Frost & Sullivan Analysis and Estimates

By End-User Category

According to the Frost & Sullivan Report, OPE products can be categorized into two segments by end-user category, namely (i) premium OPE that is primarily used to maintain and clean lager public areas, homes or yards for both residential and commercial users and (ii) mass-market OPE that is primarily used to clean and maintain moderately sized homes or yards. Premium OPE is generally sold at or above the 30% highest price ranges for the same product type. In 2020, the premium and mass-market segments accounted for approximately 35.0% and 65.0% of the global OPE market, respectively. The premium OPE market is expected to grow at a CAGR of 6.7% from US$8.8 billion in 2020 to US$12.1 billion in 2025. The mass-market OPE market is expected to grow at a CAGR of 4.5% from US$16.3 billion in 2020 and to US$20.2 billion in 2025.

Global OPE Market Breakdown by End-User Category
(US$ billion, except percentages)

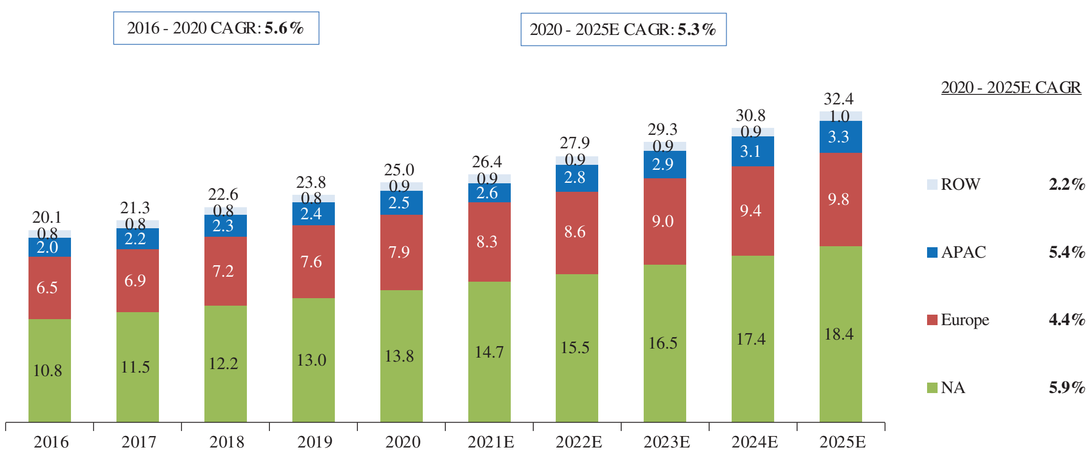


Source: Frost & Sullivan Analysis and Estimates

By Geographic Market

According to the Frost & Sullivan Report, North America and Europe represented the largest geographic markets for OPE products by revenue, which accounted for US$13.8 billion and US$7.9 billion, or 55.2% or 31.6% of the global OPE market, respectively in 2020. The APAC market for OPE products accounted for US$2.5 billion, or 10.0% of the OPE market in 2020. The North America market for OPE products is expected to further grow at a CAGR of 5.9% to US$18.4 billion in 2025. The Europe market for OPE products is expected to further grow at a CAGR of 4.4% to US$9.8 billion in 2025. The APAC market for OPE products is expected to further grow at a CAGR of 5.4% to US$3.3 billion in 2025.

Global OPE Market Breakdown by Geographic Market
(US$ billion, except percentages)

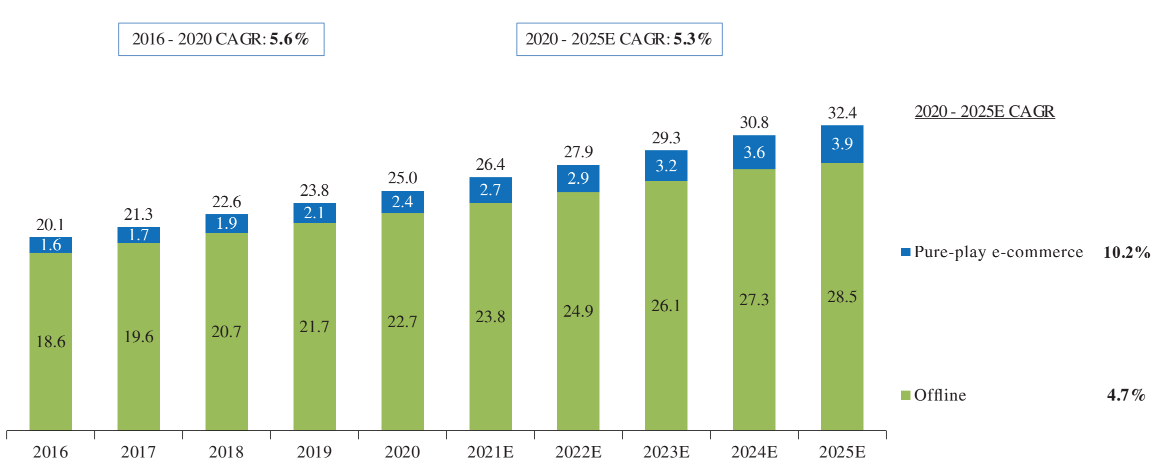


Source: Frost & Sullivan Analysis and Estimates

By Sales Channel

According to the Frost & Sullivan Report, sales channels for the global OPE products can be categorized into offline and pure-play e-commerce channels. Offline channels represented a substantial majority of the market and are expected to grow at a CAGR of 4.7% from US$22.7 billion in 2020 to US$28.5 billion in 2025. Pure-play e-commerce channels represented an increasingly important share of the market and are expected to grow at a CAGR of 10.2% from US$2.4 billion in 2020 to US$3.9 billion in 2025.

Global OPE Market Breakdown by Sales Channel
(US$ billion, except percentages)



Source: Frost & Sullivan Analysis and Estimates

KEY GROWTH DRIVERS, FUTURE INDUSTRY TRENDS AND BARRIERS TO ENTRY

According to the Frost & Sullivan Report, the following factors are expected to be some of the key drivers of growth, future industry trends and barriers to entry for the global power tool and OPE industry over the next several years:

Key Growth Drivers and Future Industry Trends

The global power tool and OPE industry is driven by both (i) supply side factors, such as development of lithium-ion battery platforms and adoption of advanced technologies, as well as (ii) demand side factors, such as consumption upgrade, increased demand for professional power tools and do-it-yourself consumer behavior, which represent the future trends of the industry.

Supply Side Factors

Development of lithium-ion battery platforms. Rapid advancement in the lithium-ion battery system technology is a significant driver of the power tool and OPE market. According to the Frost & Sullivan Report, in the past several decades, the global power tool and OPE industry has been transformed by a technology-driven shift from corded tools or gasoline-powered tools to cordless tools, which provide for benefits such as convenience, compactness, cost-efficiency and environmental friendliness without sacrificing power and performance. This continuous product upgrade is primarily driven by the rapid improvement and fast penetration of high energy density batteries that are safer and last longer once charged. In addition, increased compatibility of battery platforms across a range of tools helps increase convenience and reduce costs for end users, who will be able to purchase and carry to worksites a variety of different tools or equipment with a limited number of interchangeable battery packs. The compatibility of battery platforms will likely promote customer loyalty to the same series of products. As a result of the development of lithium-ion battery platforms, end users have showed a growing preference for battery powered tools and OPE products.

Emergence and adoption of advanced and smart technologies. Introduction of new product categories to the market, together with emerging technologies to enhance existing products have always been an important driver of industry growth in terms of capturing or renewing consumer interest in power tools and OPE products. Increasing emphasis on innovation and new product development by key power tool and OPE market players as an effort to increase differentiation and maintain competitive strengths is expected to drive additional incremental growth in the industry going forward. Major market players have been introducing new products equipped with advanced technologies to meet the diverse needs and preferences of end-users. For example, multi-functional tools that can combine tools such as saws, sanders and grinders, have gained increasing popularity. Furthermore, IoT-, sensor- or AI-enabled products have become a potential future growth area given their ability to enhance user experience. Such advancement in technologies has the potential to enhance productivity and drive market demand for power tools and outdoor power equipment in a variety of use cases, such as in household renovations, smart factories and construction projects.

Expansion of multi-channel sales and marketing strategies. Diverse sales channels have been established to address end-users' purchase preferences. In recent years, emerging channels, including e-commerce channels and other online platforms for sales and marketing purposes, such as social media, have been rapidly gaining prominence in capturing previously untapped or underpenetrated markets. Due to intense industry competition, major market players generally adopt a multi-channel sales and distribution strategy, which involves multiple channels including physical stores and online platforms through which customers and end-users purchase power tools and OPE products. A typical sales and distribution strategy covers retailers, distributors and pure-play e-commerce platforms.

Integrated value chain approach. Major market players typically operate under an integrated value chain approach that combines key links along the value chain, including research and development, manufacturing, sales and distribution, marketing and after-sales services. This approach typically will enable companies to achieve operational efficiency and cost-savings. Companies also generally make more efforts to be more customer-oriented and devote resources to gaining insights into the behaviors and preferences of end-users in order to rapidly upgrade their product portfolio.

Demand Side Factors

Consumption upgrade. Consumers are typically willing to spend more on products equipped with cutting edge technologies and advanced features, such as compactness, high-energy output, battery life and environmental friendliness, which are expected to drive growth in the global power tool and OPE industry.

Increased demand for professional power tools. Market demand for power tools and OPE products is also expected to increase due to growth of infrastructure and commercial construction activities, residential construction and increasing sales of new homes in the U.S. market and increased demand for power tools in industrial projects has contributed to the growth of the market. According to the Frost & Sullivan Report, in the United States, government expenditure on infrastructure increased from US$309.0 billion in 2016 to US$384.1 billion in 2020 representing a CAGR of 5.6%. Furthermore, new residential home sales increased from 561.0 thousand units in 2016 to 822.0 thousand units in 2020 representing a CAGR of 10.0%. In addition, from 2016 to 2020, the value of residential construction put in place in the United States increased from US$465.6 billion to US$604.4 billion, representing a CAGR of 6.7%, and the value of non-residential construction put in place in the United States increased from US$699.0 billion to US$808.0 billion, representing a CAGR of 3.7%, according to the same source.

Impact of do-it-yourself consumer behavior. Consumers in North America and Europe typically showed preferences for do-it-yourself home decoration or maintenance with purchased power tools or OPE products. This overall market demand is strengthened by the impact of the COVID-19 pandemic, which has led more consumers to spend more time at home and a larger proportion of their budgets on power tools and OPE products.

Preference for lithium-ion battery powered products. End users have shown increasing preference for lithium-ion battery power tools, which generally provide for a good user experience, convenience and long run time in different work environments. Similarly, end users have demonstrated growing demands for lithium-ion battery OPE products, which are environmentally friendly and typically deliver better user experience than traditional gasoline-engine products by generating less noise and vibration and offering greater convenience. Lithium-ion battery power tools and OPE products can also offer greater cost efficiency because battery platforms can be made compatible across different product types under the same brand and they do not require regular maintenance expected for traditional gasoline-engine products. Advancement in lithium-ion battery technologies also enables lithium-ion battery powered tools and OPE to provide power, performance and run time that rival traditional gasoline-engine products.

Barriers to Entry

According to the Frost & Sullivan Report, the following are key barriers to entry for the global power tool and OPE markets:

Reputation and brand recognition. Reputation and brand recognition is one of the most critical success factors in the power tools and OPE industry. Consumers generally prefer to purchase products from brands which they perceive as superior, in terms of design, quality, functionality, value or other factors. A strong reputation and brand recognition will also afford companies with stronger pricing power and help attract and retain customers in new markets to further expansion plans in terms of developing multiple categories of products across different markets around the world. However, reputation and brand recognition generally take a long time to build up, often requiring a lengthy and proven track record, and represents a key industry barrier to entry. Existing well-known brands, as well as the time and financial resources required to build a brand, may pose challenges to new companies trying to enter the market.

Sales and distribution network. A well-established sales and distribution network is critical to reaching and serving customers and end-users. Establishing an extensive, efficient and multi-channel global sales network requires a significant amount of time and resources which may pose challenges to new market entrants who are unlikely to have the required market knowledge and key relationships across the value chain to compete effectively on a global basis.

Technology and research and development capabilities. Strong product research, design and development capabilities are critical for competitive differentiation and to attract and retain customers and end-users. Recruiting, training and integrating a strong research, design and development team, including skilled management personnel, takes a significant amount of time and resources and in conjunction with a well-developed global product and brand portfolio act as strong barriers to entry. New entrants are forced to either license processes and technology from established companies or deploy significant resources in to replicating the capabilities that existing companies already possess.

Industry expertise. Industry expertise and knowledge, including manufacturing know-how and ability to quickly adapt to ever-changing end-user preferences, are critical factors to succeed in the industry and generally can only be cultivated over time. With a growing number of increasingly complex product models and inventories, companies that seek to enter the power tool and OPE markets will need strong industry expertise to ensure the consistency of quality controls and the efficiency of cost structures.

KEY MARKET CHALLENGES

Set forth below are the key challenges facing the global power tool and OPE markets:

- *Product competition*. Companies in the global power tool and OPE markets face product competition in terms of technological advancement and pricing. Relevant technologies are constantly evolving in the global power tool and OPE markets, such as from corded to cordless and from gasoline to electric. Faced with increasing end-user expectations for product features such as multi-tasking functions and upgraded IoT applications, companies must devote resources in a timely and cost-efficient manner to support the development of new products that can provide greater performance, versatility and convenience. In addition, as price competition is prevalent in the markets, companies may lose customers, end-users and market shares if they are unable to offer quality products with prices that are lower than competitors' products of similar performance.

- *Relationship with major retailers and distributors*. Competition is intense among companies in establishing effective relationships with major retailers and distributors, which account for a substantial portion of the sales in the global power tool and OPE markets. If the relationships between a company and its major retailers or distributors deteriorate, the company's financial performance may be negatively affected.

- *Price fluctuations and potential shortages of raw materials*. Fluctuations in the price of raw materials may have a negative impact on the costs of companies in the power tool and OPE markets. In addition, the raw materials that companies need for manufacturing of products may be in short supply. For example, the supply for lithium-ion batteries may be limited due to the increased use of such batteries in electric vehicles.

- *Uncertainty of global operations*. Many companies in the power tool and OPE markets are faced with challenges arising from their global business operations, such as evolving regulations, economic recessions, foreign currency fluctuations, among other aspects. For example, in respect of international trade, the U.S.-China trade tensions have contributed to increased costs of goods, and the COVID-19 pandemic has caused interruptions to manufacturing and exports and imports of many businesses, as well as fluctuations of freight and shipping costs.

COMPETITIVE LANDSCAPE

Industry-leading, innovative providers of power tools and OPE products are driving consumption trends in the industry. We generally compete with other power tool and OPE companies. Principal competitive factors that are important to us include product features, relative price and performance, product quality and reliability, design innovation, brands, consumer experience, marketing and distribution capability, and corporate reputation. Our main competitors include domestic PRC and global power equipment industry leaders.

The industry ranking of market shares by revenue in this section is derived from the Frost & Sullivan Report. Calculations of market shares are subject to a number of factors, assumptions and limitations, according to the same report. Such calculations incorporate revenue figures only from peer companies' comparable business segments (namely power tools and OPE), among others, in terms of the relevant markets (such as power tools market and OPE market), and exclude revenue figures from such peer companies' business segments that are not comparable to the relevant markets (such as information system solutions). Selection of peer companies and comparable business segments involves judgment by Frost & Sullivan. Furthermore, revenue figures for private companies were derived from interviews conducted by Frost & Sullivan with industry experts and peer companies, and supplemented by Frost & Sullivan's in-house analysis.

The competitive landscape of global electric power tool market is relatively concentrated, as the top 10 players accounted for approximately 73.3% of market shares by revenue in 2020. According to the Frost & Sullivan Report, our ranking by revenue in the global electric power tool market increased from the 9th in 2018 to the 7th in 2020. We were one of the few major electric power tool providers that have gained market shares from 2018 to 2020.

Top 10 Global Electric Power Tool Providers by Revenue (2020)

Rank	Company	Market Share
1	Company A(1)	16.6%
2	Company B(2)	16.0%
3	Company C(3)	14.9%
4	Company D(4)	6.9%
5	Company E(5)	6.3%
6	Company F(6)	4.1%
7	**Our Company**	**2.3%**
8	Company G(7)	2.2%
9	Company H(8)	2.2%
10	Company I(9)	1.8%

Source: Frost & Sullivan Analysis and Estimates

Notes:

(1) Founded in 1985, Company A (Hong Kong Stock Exchange-listed) offers power tools, accessories, hand tools, outdoor power equipment, and floorcare equipment. Company A maintains a global manufacturing (across Europe, North America, China, Mexico and Vietnam) and product development footprint with over 48,000 employees. (Sources: Frost & Sullivan Report; Company A's annual report and official website.)

(2) Founded in 1886, Company B is a leading Stuttgart, Germany-based, global supplier of technology and services focusing on automobile parts and components, industrial products and construction products. Company B operates four business sectors: mobility solutions, industrial technology, consumer goods and energy and building technology. As of December 31, 2020, Company B had roughly 395,000 employees and operated in more than 400 locations across 60 countries. Company B has manufacturing footprints across Europe, North America and China. (Sources: Frost & Sullivan Report; Company B's official website.)

(3) Founded in 1843, Company C (NYSE-listed) is a U.S.-based global provider of hand tools, power tools and related accessories, engineered fastening systems and products, services and equipment for oil & gas and infrastructure applications, commercial electronic security and monitoring systems, healthcare solutions, and automatic doors. As of January 2, 2021, Company C had approximately 53,100 employees in over 60 countries. Company C has manufacturing footprints across Europe, North America and Asia. (Sources: Frost & Sullivan Report; Company C's annual report and official website.)

(4) Founded in 1915, Company D (Tokyo Stock Exchange-listed) is a Japan-based global manufacturer of power tools, gardening equipment, and similar products. As of March 31, 2021, Company D had approximately 18,624 employees. Company D has manufacturing footprints across Japan, China, the U.S., the U.K., Germany, Brazil, Romania and Thailand. (Sources: Frost & Sullivan Report; Company D's official website.)

(5) Founded in 1941, Company E is a Schaan, Liechtenstein-based provider of power tools, system solutions, software and services. Company E's products cover powder-actuated fastening, drilling and demolition, diamond coring and cutting, measuring, firestop, screw fastening, adhesive and mechanical anchoring, and strut and hanger systems. Company E has approximately 30,000 employees in more than 120 countries. Company E has manufacturing footprints across Europe, North America, China and India. (Sources: Frost & Sullivan Report; Company E's official website.)

(6) Incorporated in 1948, Company F is a Japan-based provider of power tools (such as grinders and screwdrivers) and outdoor power equipment (such as lawnmowers and chainsaws). As of March 31, 2021, Company F had approximately 6,790 employees around the world. (Sources: Frost & Sullivan Report; Company F's official website.)

(7) Founded in 1873, Company G (Nasdaq Stockholm-listed) is a Sweden-based industrial company that provides compressors, air treatment systems, vacuum solutions, industrial power tools (such as drills, assembly tools and grinders) and assembly systems, machine vision and power and flow solutions. Company G has approximately 40,000 employees and sells products to customers in more than 180 countries and regions. (Sources: Frost & Sullivan Report; Company G's official website.)

(8) Founded in 1995, Company H is a PRC-based provider of power tools and outdoor power equipment (such as screwdrivers and chainsaws), armatures, stators and related spare parts, which are used in the fields of building construction, home decoration, stone processing, ship building and water conservatory projects. Company H has more than 5,000 employees with a sales network covering more than 60 countries and regions. (Sources: Frost & Sullivan Report; Company H's official website.)

(9) Founded in 1920, Company I (NYSE-listed) is a U.S.-based provider of tools, equipment, diagnostics, repair information and systems solutions for professional users. Company I's products and services include hand and power tools, tool storage, diagnostics software, handheld and PC-based diagnostic products, information and management systems, shop equipment and solutions for vehicle dealerships and repair centers, as well as for customers in industries, such as aviation and aerospace, agriculture, construction, government and military, mining, natural resources, power generation and technical education. Company I has approximately 12,500 employees, customers in more than 130 countries and 4,800 mobile stores worldwide. Company I has manufacturing, warehouse, distribution, research and development and office facilities throughout the world, including 13 manufacturing facilities in the U.S. (Sources: Frost & Sullivan Report; Company I's official website.)

The competitive landscape of global electric OPE market is highly concentrated, as the top 10 players accounted for approximately 88.4% of market shares by revenue in 2020. According to the Frost & Sullivan Report, our ranking by revenue among top global providers of electric OPE products rose rapidly from the 7th in 2018 to the 2nd in 2020. Ranking of our *EGO* brand among top global electric OPE brands rose from the 6th in 2018 to the 3rd in 2020. Electric OPE products accounted for the majority of our OPE revenue during the Track Record Period.

Top 10 Global Electric OPE Product Providers by Revenue (2020)			**Top 10 Global Electric OPE Brands by Revenue (2020)**		
Rank	**Company**	**Market Share**	**Rank**	**Company**	**Market Share**
1	Company A	20.4%	1	Brand R(7)	16.3%
2	**Our Company**	**11.4%**	2	Brand S(8)	10.4%
3	Company C	10.4%	**3**	**EGO**	**9.8%**
4	Company B	10.4%	4	Brand T(9)	8.8%
5	Company J(1)	10.1%	5	Brand U(10)	7.1%
6	Company K(2)	7.9%	6	Brand V(11)	6.1%
7	Company L(3)	6.8%	7	Brand W(12)	4.2%
8	Company M(4)	4.2%	8	Brand X(13)	3.6%
9	Company N(5)	3.4%	9	Brand Y(14)	3.3%
10	Company O(6)	3.3%	10	Brand Z	2.8%

Source: Frost & Sullivan Analysis and Estimates

Notes:

(1) Founded in 2002, Company J is a PRC-based provider of outdoor power equipment for both consumers and landscaping professionals. Company J also manufactures private label products, as well as other products as original equipment manufacturers. Company J has manufacturing footprints across China and the U.S. (Sources: Frost & Sullivan Report; Company J's official website.)

(2) Founded in 1994, Company K is a PRC-based provider of power tools and garden tools. Company K's product lines include drills, drivers, rotary hammers, impact drivers and wrenches, among others. Company K has manufacturing footprints across Europe, North America, Asia Pacific, Middle East and Africa. (Sources: Frost & Sullivan Report; Company K's official website.)

(3) Company L is a Stockholm, Sweden-based manufacturer that produces outdoor power products including chainsaws, trimmers, brush cutters, cultivators, garden tractors, and mowers. Company L also offers consumers watering products, cutting equipment and diamond tools for construction and stone industries. Company L has 30 production facilities across Europe, U.S. and China, among other countries and regions. (Sources: Frost & Sullivan Report; Company L's official website.)

(4) Founded in 1926, Company M is a Waiblingen, Germany-based provider of outdoor power equipment for forestry, agriculture, landscaping, construction and customers. Company M product lines include chainsaws, trimmers and blowers, among others. As of December 31, 2020, Company M had seven manufacturing plants and approximately 18,200 employees worldwide. Company M has manufacturing footprints across China, Brazil, Austria, Switzerland, the United States, the Philippines and Germany. Company M's sales network consists of 41 sales and marketing companies, approximately 120 importers and more than 54,000 independent, authorized dealers in over 160 countries. (Sources: Frost & Sullivan Report; Company M's official website and annual report.)

(5) Company N is a provider of outdoor power equipment, including lawnmowers and snow blowers for both residential and commercial use. Company N had manufacturing footprints across Europe, North America and Asia Pacific. As of December 1, 2021, Company N was acquired by Company C. (Sources: Frost & Sullivan Report; Company N's official website.)

(6) Founded in 1914, Company O is a U.S.-based company that develops, produces, and sales a range of turf maintenance equipment, snow removal equipment, and irrigation system supplies for commercial and residential gardens, public parks, golf courses, sports fields and agricultural fields. Company O has a distribution network of professional distributors, dealers and retailers in more than 125 countries. Company O has manufacturing footprints across Europe and North America. (Sources: Frost & Sullivan Report; Company O's official website.)

(7) Brand R belongs to Company A.

(8) Brand S belongs to Company B.

(9) Brand T belongs to Company C.

(10) Brand U belongs to Company K.

(11) Brand V belongs to Company L.

(12) Brand W belongs to Company M.

(13) Brand X belongs to Company J.

(14) Brand Y belongs to Company O.

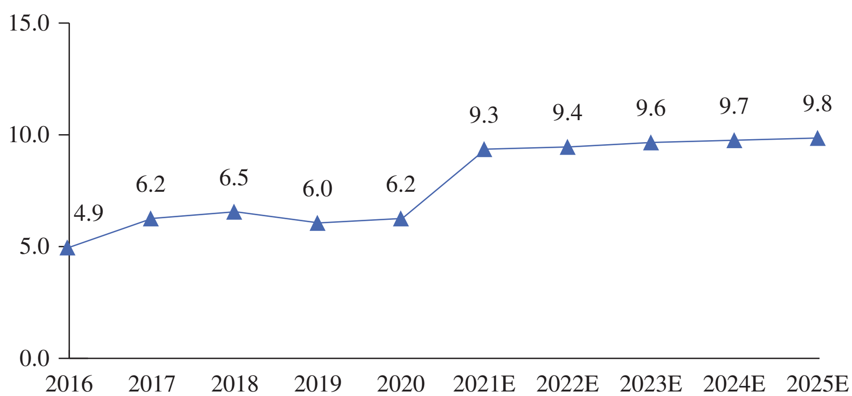
RAW MATERIALS

Our major raw materials primarily include (i) battery cells, (ii) metals such as copper and aluminum, (iii) electronic components such as printed circuit boards and (iv) plastic particle materials such as Nylon plastic (PA) and Polypropylene (PP). Material increases in the market prices of, or fluctuations in the supply of, raw materials due to changes in the macro economy, supply and demand forces and market expectations, will likely negatively affect the results of operations for power tool & OPE manufacturers. The charts below set forth historical prices of major raw materials used by our company for the periods indicated.

Copper

According to the Frost & Sullivan Report, the price of copper showed an upward trend from 2016 to 2018, followed by a decline in 2019. In 2020, the price of copper remained relatively flat. Beginning in 2021, the price of copper is expected to rise over time primarily due to the increased market demand driven by the expected global economic recovery and relatively stable supply of copper.

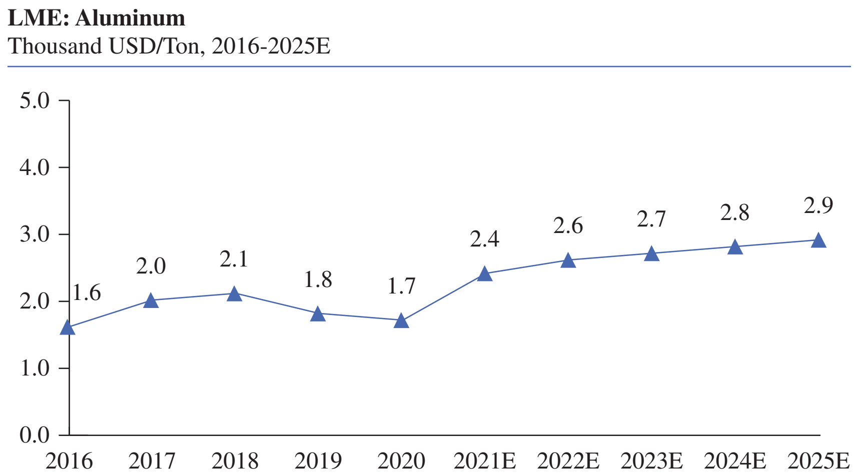
LME: Copper
Thousand USD/Ton, 2016-2025E



Source: Frost & Sullivan Analysis and Estimate; London Metal Exchange; Bloomberg NEF; Wind

Aluminum

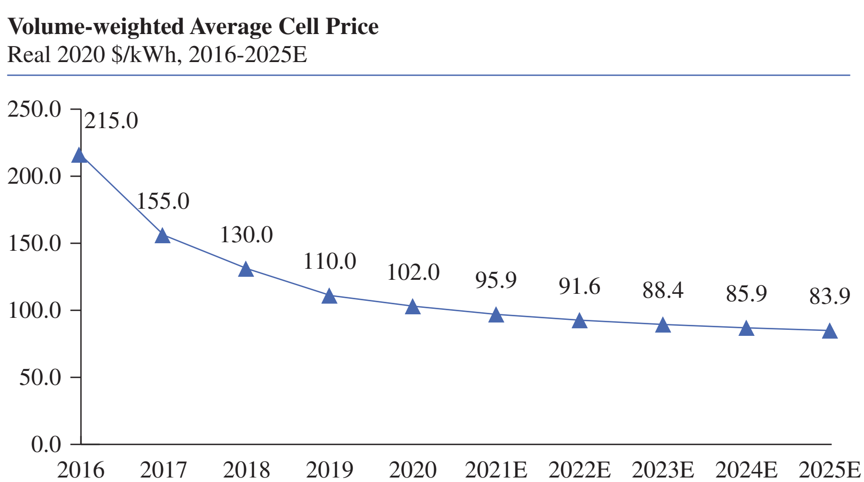
Aluminum price increased from 2016 to 2018 driven by market demand, and decreased from 2018 to 2020 due to over-supply in the market. Beginning in 2021, the price of aluminum is expect to rise primarily due to the increase in market demand driven by the recovery of the global production of manufacturing goods.



Source: Frost & Sullivan Analysis and Estimate; London Metal Exchange; Bloomberg NEF; Wind

Battery cells

The prices of battery cells have generally declined from 2018 to 2020, which have contributed to the improvement of our cost structures. Despite the recent fluctuations in the price of lithium-ion battery cells, their prices are expected to decline in the long term due to favorable global environmental policies and advancement in battery-related technologies.

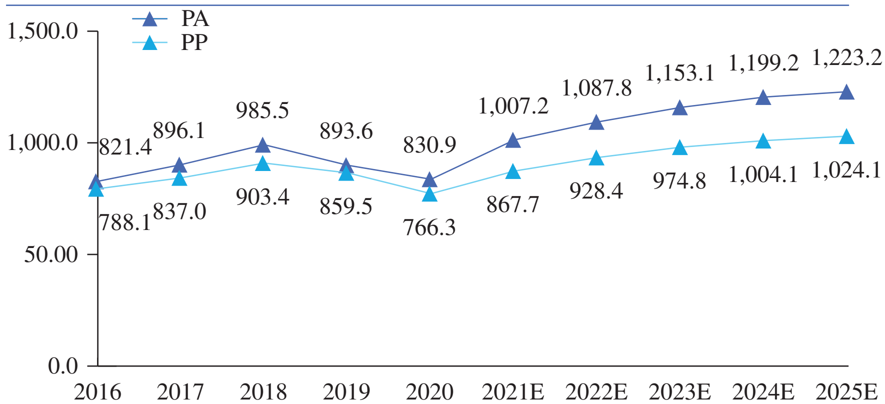


Source: Frost & Sullivan Analysis and Estimate; London Metal Exchange; Bloomberg NEF; Wind

Nylon plastic and polypropylene

The price index of nylon plastic (PA) and polypropylene (PP) was relatively flat over the period from 2016 to 2020. Beginning in 2021, the price index of PA and PP is expected to increase with the recovery of the global economy.

Price index of Nylon plastic (PA) and Polypropylene (PP)
2010/1/4 = 1000, 2016-2025E

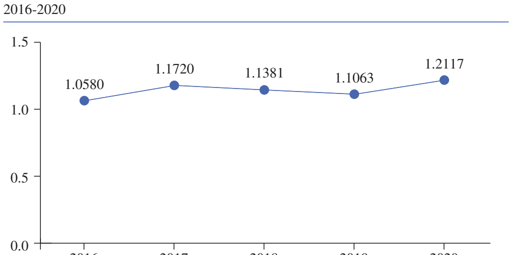


Source: Frost & Sullivan Analysis and Estimate; London Metal Exchange; Bloomberg NEF; Wind

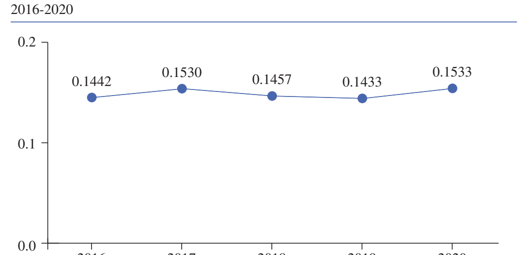
FOREIGN EXCHANGE

The vast majority of our employees and manufacturing facilities are located in China, while the vast majority of our sales are in international markets outside of China. As a result, a substantial portion of our costs and expenses are denominated in RMB and a substantial portion of our sales are denominated in U.S. dollars or euro. As a result, given the global nature of our business, we are exposed to foreign exchange fluctuations. The charts below set forth the historical fluctuations of the U.S. dollar in relation to euro and RMB during the Track Record Period.

Euro to USD
2016-2020



RMB to USD
2016-2020



Source: Frost & Sullivan Analysis and Estimates; United States Federal Reserve; The People's Bank of China

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent marketing and consulting agency, for the research and preparation of the Frost & Sullivan Report on global power tool and OPE market, including general economic and industry data. The consideration for the research and preparation of the Frost & Sullivan Report is RMB600,000, which we believe reflects the market rate for such reports. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

Except for the Frost & Sullivan Report, we did not commission any other customized report. In the regions covered by the Frost & Sullivan Report, Frost & Sullivan adopted a methodology of both primary research and secondary research and obtained knowledge, statistics, information and insights on industry trends within the power tools and OPE products market. Primary research involved interviewing leading industry participants. Secondary research involved reviewing company reports, independent research reports and Frost & Sullivan's proprietary database. Forecast data was obtained from historical data analyses plotted against macroeconomic data as well as specific industry-related drivers, such as purchasing power and consumer expenditure on outdoor leisure products. Frost & Sullivan developed its forecast on the following bases and assumptions:

- Global social, economic and political environment is likely to remain stable in the forecast period;

- Purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions and

- Related industry key drivers are likely to drive the market in the forecast period.

Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

REGULATORY OVERVIEW

1. LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN THE PRC

A summary of the major PRC laws, rules and regulations relating to our business is set out below.

Major Regulators

The power tool and garden tool industries in the PRC are under the common management of government authorities and industry associations. Government authorities focus on macro management of the industry, while the latter focus on self-regulatory management within the industry. The competent government authorities of the power tool and garden tool industries in the PRC mainly comprise the Ministry of Industry and Information Technology (the "**MIIT**") and the National Development and Reform Commission (the "**NDRC**"). The Power Tools Branch under the China Electrical Equipment Industry Association is a self-regulatory organization for the actual management and coordination in the power tool industry.

The MIIT

The MIIT is responsible for formulating and organizing the implementation of industrial planning, industrial policies and standards, monitoring the daily operation of the industries, and promoting the development and independent innovation of major technology and equipment.

The NDRC

The NDRC is mainly responsible for formulating macro-industrial policies, implementing industrial planning, and providing guidance on investment in fixed assets and technological transformation.

The Power Tools Branch under the China Electrical Equipment Industry Association

The Power Tools Branch under the China Electrical Equipment Industry Association is a social organization formed by the enterprises and public institutions engaging in power tool manufacturing, scientific research and design as well as operation on an equal, mutually beneficial and voluntary basis. It is an industry organization covering various regions, departments and forms of ownerships.

Industrial Policies Encouraging the Development and Innovation of the Power Tool and Garden Tool Industries

The National People's Congress approved the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》) on March 16, 2016, which proposed to encourage the development of the equipment manufacturing industry, carry out large-scale land greening initiatives, and strengthen the construction of key projects.

The Central Committee of the Communist Party of China and the State Council promulgated the Outline of the National Strategy of Innovation-Driven Development (《國家創新驅動發展戰略綱要》) in May 2016, which proposed to develop intelligent green manufacturing technology, and promote the upward transition of the manufacturing industry along the value chain. It also proposed to strengthen the construction of basic industrial technology capabilities and test platforms, and improve the level of key generic technologies such as basic materials, basic parts, basic processes and basic software.

The State Council promulgated the Notice of the State Council on Publishing the 13th Five-Year Plan on National Science and Technology Innovation (《國務院關於印發"十三五"國家科技創新規劃的通知》) on July 28, 2016, which proposed to develop, among others, green design technology, basic processing technology, mechanical and electrical product development technology, remanufacturing and recycling technology, build a green manufacturing technology system based on the full life cycle of the product, and carry out the promotion and application of green manufacturing technology and equipment and demonstrations to the industry.

The NDRC, the Ministry of Ecology and Environment and the Ministry of Commerce promulgated the Implementation Plan for Promoting the Upgrading of Key Consumer Goods and the Recycling of Resources (2019-2020) (《推動重點消費品更新升級暢通資源循環利用實施方案(2019–2020年)》) on June 3, 2019, which proposed to support the research and development of energy-saving and smart home appliances, and encourage the development of home appliance combination products and integrated products based on the Internet of Things and artificial intelligence ("**AI**") technologies.

The Ministry of Transport, the Ministry of Commerce, the General Administration of Customs and other authorities promulgated the Notice of Better Serving the Stabilization of Foreign Trade in the Current Situation (《關於當前更好服務穩外貿工作的通知》) on April 20, 2020, which proposed to reduce the charges for import and export. It also proposed to fully implement the phased exemption of import and export cargo port construction fees, reduction of cargo port fees, port facility security fees, and ship oil pollution damage compensation funds and other fee reduction policies.

The National People's Congress approved the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) on March 11, 2021, which proposed to uphold the strategy of manufacturing power, and promote high-end, intelligentized, and green manufacturing. It also proposed to maintain self-dependence, controllability, safety and efficiency, push forward the advancement of industrial foundation and modernization of industrial chain, sustain the general stability of the manufacturing industry, enhance the competitive advantages of the manufacturing industry, and promote the high-quality development of the manufacturing industry.

Major Regulatory Laws and Regulations

Our business in the PRC are subject to laws and regulations which mainly relate to foreign investment, research and development, production and sales of power tools, labor protection, intellectual property, environmental protection, taxation, foreign exchange and other sectors.

Foreign Investment

Since January 1, 2020, the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "Foreign Investment Law") promulgated by the National People's Congress on March 15, 2019 has come into effect. The former Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) and the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) were abolished at the same time. Since then, the Foreign Investment Law has become the fundamental law regulating foreign-invested enterprises wholly or partially invested by foreign investors. The organization form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law of the PRC (《中華人民共和國公司法》) and other laws.

The PRC implements the management system of pre-establishment national treatment plus negative list for foreign investment, and has canceled the original approval and filing management system for the establishment and change of foreign-invested enterprises. Pre-establishment national treatment refers to the treatment given to foreign investors and their investments at their pre-admission shall be no less favorable than that given to domestic investors and their investments; while the Negative List refers to the special administrative measures for foreign investment access implemented according to the requirements of the state with respect of foreign investment in specific industries, and the national treatment will be given to foreign investments outside the negative list. The negative list currently implemented is the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated by the NDRC and the Ministry of Commerce on June 23, 2020 and implemented on July 23, 2020. While strengthening investment promotion and protection, the Foreign Investment Law further regulates the administration of foreign investment and proposes to establish a foreign investment information reporting system to replace the existing approval and filing system of the Ministry of Commerce for foreign investment enterprises. According to the Measures for the Reporting of Foreign Investment Information, foreign investors conducting investment activities directly or indirectly in the PRC shall submit investment information to the competent commerce authorities through the enterprise registration system and the national enterprise credit information publicity system, which shall include initial reports, change reports, cancelation reports and annual reports.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) and the Catalog of Industries for Encouraging Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated by the NDRC and the Ministry of Commerce on December 27, 2020 and became effective on January 27, 2021, foreign investment projects can be classified into three categories, namely encouraged, restricted and prohibited. Foreign investment projects which are not included in the Negative List are permitted foreign investment projects.

To date, the operations of our Company do not fall within the categories of restricted or prohibited industries specified in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition).

Safe Production

According to the Work Safety Law of the People's Republic of China (the "**Work Safety Law**") (《中華人民共和國安全生產法》), which was revised on June 10, 2021 by the Standing Committee of the National People's Congress (the "**SCNPC**") and implemented on September 1, 2021, a production and business operation entity must (i) abide by this Law and other laws and regulations related to production safety, strengthen production safety management, and establish and improve a production safety responsibility system and production safety rules and regulations for all employees; (ii) increase the efforts to guarantee the input of funds, materials, technology and personnel in production safety, improve production safety conditions, and strengthen standardization and informatization of production safety; (iii) construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise production safety levels and ensure production safety. Entities that do not fulfil the safety production conditions shall not engage in production and business activities.

Production and business entities shall meet the safety production conditions set forth in the Work Safety Law and other relevant laws, administrative regulations and national standards or industry standards. Entities that do not meet the above safety production conditions shall not engage in production and business activities. Production and business entities shall provide their employees with education and training on production safety to ensure that their employees possess necessary safety production knowledge, are familiar with relevant safety production rules and regulations as well as safety operation regulations, master the safety operation skills of their position, understand emergency measures and acknowledge the rights and responsibilities in terms of safety production. Employees who do not enroll in or fail the safety production education and training are not allowed to commence working in their positions.

According to the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), which was revised by the SCNPC and implemented on April 29, 2021, and the Provisions on the Supervision and Inspection over Fire Protection (《消防監督檢查規定》), which was revised by the Ministry of Public Security on July 17, 2012 and implemented on November 1, 2012, enterprises shall implement the fire safety responsibility system, and formulate their own fire safety system and operating procedures; configure fire protection facilities and equipment, and regularly organize inspections and maintenance; conduct a comprehensive inspection on the fire protection facilities at least once a year, and archive the inspection records for future reference; adopt other fire safety measures; and perform other fire safety duties. Construction projects that are subject to fire protection inspection and acceptance in accordance with the law are prohibited from being put into use if they do not go through or fail the fire protection inspection and acceptance. Other construction projects that fail the random inspection according to law shall be suspended.

Product Quality and Consumer Rights Protection

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was revised by the SCNPC and became effective on December 29, 2018, all production and sales activities in China must abide by this law. Producers and sellers shall establish and improve the internal product quality management system, and strictly implement work quality specifications, quality accountability and corresponding assessment methods. Producers and sellers shall bear the responsibility for product quality in accordance with the provisions of this law.

The product quality supervision department of the State Council is responsible for the national product quality supervision work. The relevant departments of the State Council are responsible for product quality supervision within their respective responsibilities. The quality of products shall be inspected and qualified, and unqualified products shall not be presented as qualified products. Industrial products that may endanger human health and personal and property safety must meet the national standards and industry standards that protect human health and personal and property safety. If national standards and industry standards have not been established, such products must meet the requirements for ensuring human health and personal and property safety. Any producer or seller who violates the Product Quality Law may be subject to confiscation of such sales proceeds, revocation of business license, or imposition of fines. If the circumstances are serious, criminal responsibility shall be investigated. The producer or seller shall be responsible for damages to persons or property resulting from product defects caused by their default.

According to the Administration Regulations on Compulsory Product Certification (《強制性產品認證管理規定》), which was promulgated on July 3, 2009 by the former State Administration of Quality Supervision, Inspection and Quarantine and implemented on September 1, 2009, relevant products specified by the state must be certified (the "**compulsory product certification**") and marked the certification mark before delivery, sale, import or use in other business activities. For products subject to compulsory product certification, the state shall unify the product catalog, unify the mandatory requirements, standards and conformity assessment procedures of the technical specifications, unify the certification mark, and unify the charging standards. The producers, sellers or importers of the products listed in the catalogue shall entrust the certification body designated by the Certification and Accreditation Administration of the People's Republic of China to certify the products they produce, sell or import.

Import and Export of Goods

According to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》), which was revised by the SCNPC and implemented on November 7, 2016 and the Measures for the Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which was revised by the Ministry of Commerce and implemented on May 10, 2021, foreign trade business operators engaging in import and export of goods or technology shall file and register with the Ministry of Commerce or an agency entrusted by the Ministry of Commerce. If a foreign trade operator fails to go through the filing and registration procedures in accordance with the regulations, the Customs shall not handle the customs declaration, inspection and release procedures for import and export goods. According to the Notice of the Ministry of Commerce on Relevant Issues Concerning the Filing and Registration of the Right to Foreign Trade of Foreign-invested Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》) issued by the Ministry of Commerce and came into effect on August 17, 2004, foreign-invested enterprises which were approved to be established in accordance with the law before July 1, 2004 and have not applied for change of scope of business or added any other import and export business activities, are not required to go through the process of filing and registration of foreign trade business operators.

According to the Customs Law of the People's Republic of China (《中華人民共和國海關法》), which was revised by the SCNPC and implemented on April 29, 2021, the Customs is the entry and exit supervision authority of the state. Consignees and consignors of import and export goods and customs declaration enterprises shall file with the Customs in accordance with the law when handling the customs declaration procedures. Enterprises and individuals engaging in customs declaration shall not illegally declare customs on behalf of others. Unless otherwise specified, customs declaration and payment of duties for import and export goods may be handled by the consignees and consignors themselves, or they may entrust a customs declaration enterprise to handle the formalities.

Anti-Unfair Competition

According to the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**"), which was revised by the SCNPC and became effective on April 23, 2019, acts of unfair competition refer to the acts of business operators that violate the provisions of the Anti-Unfair Competition Law, disrupt the order of market competition, and harm the lawful rights and interests of other operators or consumers during business activities. According to the Anti-Unfair Competition Law, business operators shall follow the principles of voluntariness, equality, fairness, and integrity in market transactions, and abide by laws and business ethics. Business operators who violate the provisions of the Anti-Unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities according to the specific circumstances.

Labor and Social Security

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) which was revised by the SCNPC and implemented on December 29, 2018, the Chinese Labor Contract Law (《中華人民共和國勞動合同法》), which was revised by the Standing Committee of the National People's Congress on December 28, 2012 and implemented on July 1, 2013, and the Regulations for the Implementation of the Chinese Labor Contract Law (《中華人民共和國勞動合同法實施條例》) issued by the State Council and implemented on September 18, 2008, employers shall strictly abide by national standards and provide workers with relevant training to ensure that workers enjoy labor rights and perform labor obligations. The employers and the employees shall sign a written labor contract. The wage paid by the employers to the employees shall not be lower than the local standard of minimum wage.

According to the Chinese Social Insurance Law (《中華人民共和國社會保險法》), which was revised by the SCNPC and implemented on December 29, 2018, the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was revised by the State Council and implemented on March 24, 2019, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was revised by the State Council and implemented on March 24, 2019, employers should pay contributions to basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, basic medical insurance and housing provident fund for their employees according to the statutory payment base and payment ratio. If the relevant payment is not paid in full and on time to the relevant local administrative agency, the employer may be ordered to make up the gap or pay a fine.

Intellectual Property

Trademark

The Trademark Law of the People's Republic of China (《中華人民共和國商標法》), which was revised by the SCNPC on April 23, 2019 and became effective on November 1, 2019, and the Regulations for the Implementation of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》), which was amended on April 29, 2014 and became effective on May 1, 2014, provide for the application, review and approval, renewal, alteration, transfer, use, and invalidity cases of trademark registration, and protect the trademark registrant's to exclusive use of trademark. According to the above laws and regulations, the validity period of a registered trademark is ten years, starting on the day when the registration is approved. If the validity period of a registered trademark has expired and further use is required, the renewal procedures must be completed in accordance with the regulations within 12 months before the expiration date. The validity period of each renewal of registration is 10 years. The State Administration for Industry and Commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to law; if the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

Patent

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), which was revised by the SCNPC on October 17, 2020 and became effective on June 1, 2021, and the Implementation Regulations of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), which was amended by the State Council on January 9, 2010 and became effective on February 1, 2010, the patent administration department under the State Council is responsible for the patent work throughout the country. It receives and examines patent applications and grants patent rights for inventions-creations in accordance with law. The patent administration departments of the people's governments of provinces, autonomous regions and municipalities directly under the central government are responsible for the administration of patents within their respective administrative regions. Patent protection is divided into three categories, namely, invention patent, utility patent and design patent. Invention patents refer to any new technical solution relating to a product, a process or an improvement. Utility patents mean any new technical solution relating to the shape, the structure, or their combination, of a product, which are fit for practical use. Design patents mean any new design of the shape, pattern, color, or their combination, of a product, which create an aesthetic feeling and are fit for industrial application. Invention patents are valid for twenty years from the date of application, while design patents and utility patents are valid for ten years from the date of application, respectively. Once an invention patent, utility patent or a design patent is granted, unless otherwise permitted by law, no individual or entities may exploit the patent without permission of the patent holder.

Copyright

According to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), which was revised by the SCNPC on November 11, 2020 and became effective on June 1, 2021, for the innovative and intellectual works that can be presented in certain manners in respect of Chinese citizens, legal persons or non-legal person organizations, including literature, art and science, regardless of whether they are published or not, the owners enjoy the copyright in accordance with the Copyright Law. Copyright holders enjoy various rights, including the publication right, the right of authorship and the right of reproduction.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, the Computer Software Protection Regulations (《計算機軟件保護條例》), which was amended by the State Council on January 30, 2013 and became effective on March 1, 2013, the National Copyright Administration is in charge of software copyright registration and management across the country, and the China Copyright Protection Center is recognized as the software registration agency. The China Copyright Protection Center will grant registration certificates to computer software copyright applicants who conform to the Measures for Registration of Computer Software Copyright and the Regulations on Computer Software Protection.

Domain Names

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the MIIT is responsible for the supervision and administration of domain name services nationwide, and the communications administrations of provinces, autonomous regions and municipalities are responsible for that within their respective administrative regions. The domain name registration services shall follow the principle of "first to register". Upon completion of the domain name registration, the applicant becomes the holder of the relevant registered domain names.

Environmental Protection

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was revised by the SCNPC and became effective on December 29, 2018, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was revised by the State Council on July 16, 2017 and became effective on October 1, 2017, and the Interim Measures on the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection and became effective on November 20, 2017, for a construction project for which an environmental impact report or environmental impact statement shall be prepared, the construction unit shall submit the environmental impact report or environmental impact statement to the competent administrative department of the environmental protection for approval before starting construction. For a construction project for which an environmental impact registration form shall be filled in pursuant to the law, the construction unit shall submit the environmental impact registration form to the competent administrative department of the environmental protection for record. For a construction project for which an environmental impact report or environmental impact statement shall be prepared, before starting to operate, the construction unit shall organize the inspection and acceptance, after passing the acceptance check, the project can be officially put into production or delivered for use.

Enterprises and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, dust, etc. generated during production, construction or other activities. Enterprises and other producers and operators that discharge pollutants shall each establish an environmental protection responsibility system, and specify the responsibilities of the persons in charge and relevant personnel thereof. The facilities for preventing and control of pollution must comply with requirements of approved environmental impact assessment files and must not be dismantled or left idle without permission.

According to the Catalogue of Classification Management of Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecological Environment and becoming effective on December 20, 2019 and the Guidance for the Discharge Registration of Stationary Pollution Sources (trail) (《固定污染源排污登記工作指南(試行)》) issued by the Ministry of Ecological Environment and becoming effective on January 6, 2020, the state implements key management, simplified management, and registration management of pollutant discharge permits based on factors such as the amount of pollutants produced by the pollutant discharge units that discharge pollutants, their emissions, and their impact on the environment. The pollutant discharge units that implement registration management are not required to obtain the discharge permits but shall make the discharge registration in accordance with this requirement.

TAX

Enterprise Income Tax

Pursuant to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the "EIT Law"), which was revised by the SCNPC and became effective on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》),which was amended by the State Council and became effective on April 23, 2019, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform enterprise income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-added Tax

Pursuant to the Interim Regulations of PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and became effective on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was amended by the Ministry of Finance on October 28, 2011 and came into effect on November 1, 2011, all taxpayers selling goods, providing labor services of processing, repairing or maintenance, or selling services, intangible assets or real property in China, or importing goods to China, shall pay value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) which was issued jointly by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, the tax rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) which was issued jointly by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, VAT taxable sales or imported goods in respect of general taxpayer of value added tax, the original applicable tax rates, being 16% and 10%, have been adjusted to 13% and 9%, respectively.

Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated by the State Administration of Taxation on August 21, 2006 and became effective from December 8, 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a beneficial owner, provided that such beneficial owner directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a beneficial owner if such beneficial owner holds less than 25% of the equity interests in the PRC company.

Pursuant to The Announcement on Issues Concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) promulgated by the State Administration of Taxation on February 3, 2018 and taking effect on April 1, 2018, certain conditions should be taken into account when defining a company as a "beneficial owner" under the relevant tax treaty, including but not limited to whether the applicant is obligated to pay more than 50% of its income to residents of the third country (region) within 12 months, whether the business activities conducted by the applicant constitute substantial business operation, whether the country (region) of the contracting party does not tax or exempt the relevant income, or whether the tax is levied but the actual tax rate is extremely low, and meanwhile, there will be a comprehensive analysis based on the reality of specific cases.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation on and became effective from February 20, 2009, all of the following requirements should be satisfied where a resident company needs to be entitled to preferential tax rates: (1) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (2) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (3) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 consecutive months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement.

Pursuant to the Measures for Non-residents Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), which was revised by the State Administration of Taxation on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers may self-assess and conclude that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and accept follow-up administration by the tax authorities.

PRC Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

Pursuant to the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "Circular 7") which was issued by the State Administration of Taxation on February 3, 2015, where a non-resident enterprise transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company, for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfill one of the conditions as stipulated under the Circular 7.

Furthermore, pursuant to the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》) issued by the State Administration of Taxation on October 17, 2017 and revised on June 15, 2018, the "income from property transfer" shall include the income from the transfer of equity interests and equity investment assets. The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. When calculating the income from equity transfer, an enterprise shall not deduct the amount that may be distributed from the shareholders' retained proceeds that are attributable to such equities, such as the undistributed profits of the invested enterprise.

Foreign Exchange

Pursuant to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) which was amended and implemented by the State Council on August 5, 2008, foreign currency payments under current account items by domestic institutions, including payments for imports and exports of goods and services and payments of income and current transfers into and outside the PRC must be either paid with their own foreign currency with valid documentation or with foreign currency purchased from any financial institution engaged in foreign currency sale and settlement. Foreign currency income accounted for under current account items may be retained or sold to financial institutions engaged in foreign currency sale and settlement in accordance with the relevant PRC laws and regulations. Foreign currency payments under capital account items include cross border transfers of capital, direct investments, securities investments, derivative products and loans. For foreign-invested enterprises wound up in accordance with the law, funds denominated in RMB that belong to a foreign investor after liquidation and after payment of tax may be used to purchase foreign currency from any financial institution engaged in foreign exchange sale and settlement in order to remit the foreign currency outside of the PRC.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies(《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) which was promulgated by the SAFE on February 13, 2015 and came into force on June 1, 2015, certain administrative approval procedures relating to the domestic and overseas direct investment in certain districts have been cancelled, and the foreign exchange registration for domestic direct investment shall be directly reviewed and handled by qualified banks in instead.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was promulgated by the SAFE and became effective on March 30, 2015, a foreign-invested enterprise may settle their foreign exchange capital at its discretion, that is, it, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution). Foreign-invested enterprises are allowed to settle such portion at 100% of their foreign exchange capital on a discretionary basis. The SAFE may adjust the aforesaid proportion according to the international income and expense conditions when due.

Pursuant to the Issues Relating to the Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Resident via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) which was promulgated and implemented by the SAFE on July 4, 2014, a "special purpose company" shall refer to an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions or domestic resident individuals) for the purpose of investment and financing with the enterprise assets or interests it holds legally inside the PRC or overseas. Before injecting domestic and overseas legal assets or interests into their special purpose company, the domestic residents including domestic institutions and domestic resident individuals shall apply for foreign exchange registration of overseas investments with the SAFE. Where the domestic resident fails to apply for relevant foreign exchange registration, the punishment may be imposed by the SAFE under the provisions of the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》).

Regulations on Dividend Distribution

Pursuant to the Foreign Investment Law, PRC-sourced dividends payable to foreign investors may be remitted in or out freely in Renminbi or foreign currencies by law. Furthermore, pursuant to the Company Law of the People's Republic of China (《中華人民共和國公司法》) amended and implemented by the SCNPC on October 26, 2018, when domestic enterprises and foreign-invested enterprises distribute their after-tax profits in a given year, they shall allocate 10% of such profits to their statutory capital reserve funds. Where the accumulated amount of the statutory capital reserve fund reaches 50% or more of their registered capital, no further allocation is required. If losses in any prior fiscal year were not yet covered, domestic enterprises and foreign-invested enterprises shall not distribute any of their profit, and the undistributed profits during the past fiscal years can be distributed together with the profits available for distribution during the current fiscal year.

2. LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN THE UNITED STATES

We engage in sales, marketing and customer service activities through Chervon North America, Inc. a corporation headquartered in Naperville, Illinois but organized under the laws of the State of Delaware, USA. The following is a summary of certain U.S. federal and state laws and regulations that are material to our operations. This summary does not purport to be complete or describe applicable U.S. federal, state, or local laws in their entirety. The summary highlights material laws, rules, and regulations to illustrate the legal issues that arise in the conduct of our business, but does not explain every single law, interpretation or application. In many cases, the outcome of a legal matter will be highly fact-specific.

Product Liability and Consumer Protection

As a manufacturer and seller of power tools and outdoor power equipment, we may be liable for injuries and damages caused by our products under broad and consumer-friendly products liability laws if the products are proven to be defective. Each of the 50 states in the United States has different laws and judicial precedents that can vary significantly from one another. While circumstances and jurisdictions can differ in significant ways, the following provides a broad overview of the product liability law concepts that are generally followed in the majority of the states within the United States.

Product liability lawsuits may be brought against manufacturers by individual plaintiffs who have sustained injury, death, or property damage due to a defective product. In addition, lawsuits may be brought by groups of plaintiffs who have suffered similarly-situated claims relating to a defective product and who are certified by a court as a proper class of plaintiffs to act together to bring a class action suit in the United States. Manufacturers may also be subject to cross-claims or third-party claims for indemnity or contribution brought by other defendants in a product liability suit who may be upstream or downstream in the supply chain.

The types of product liability claims brought by plaintiffs generally fall into three broad categories: (1) design defect claims, which are based upon inherent flaws in the intended design or make-up of the product, (2) manufacturing defect claims, which are based on product flaws caused during the construction or production of the particular item that deviate from the intended design, and (3) failure to warn claims, which are based on inadequate product warnings or instructions, and whether inherent dangers could have been mitigated or avoided through adequate warnings to the user. Some states have also added an additional post-sale duty to warn of later discovered latent defects, designed to prevent future injuries involving the same product.

Plaintiffs generally assert product liability claims premised on legal theories of liability based on negligence, strict liability, or breach of an express or implied warranty. Most jurisdictions permit the submission of a case under multiple theories, so it is common to see a plaintiff plead his or her complaint under all of the aforementioned theories of liability. Regardless of the theory a plaintiff chooses to pursue, the burden is generally on the plaintiff to establish and prove (1) that the product in question was defective, (2) an injury and/or damages, and (3) a causal relationship between the defect and the injury.

Negligence is the failure of a manufacturer to do something that a manufacturer exercising reasonable care under the circumstances would have done in the same or similar circumstances. Generally, a negligence claim requires the plaintiff to demonstrate that the defendant owed a legal duty of care, the defendant breached that duty, and such breach caused the plaintiff's injury.

Strict liability is another theory of liability adopted by most states. A lawsuit based on strict liability does not depend on the fault or lack of care by the manufacturer. Rather, such a lawsuit is based solely on the presence of a defect that renders the product unreasonably dangerous and that causes injury.

A claim for breach of warranty is generally governed by contract law. The vast majority of states have adopted Article 2 of the Uniform Commercial Code ("**UCC**"), which governs the sale of goods. Under Article 2 of the UCC, there are express warranties and implied warranties. An express warranty can be created by a representation by the seller, a description of the good which is made part of the basis of the bargain, or by showing a sample or model of a product to the buyer where the buyer reasonably assumed that the whole of the goods would conform to the sample. An implied warranty, on the other hand, covers those expectations common to all products (e.g., that the product is fit for its ordinary purpose) and is presumed to have been made by the seller unless it is clearly and unambiguously disclaimed in writing as part of the sales agreement.

In all jurisdictions, numerous defenses are available to the manufacturer in a product liability lawsuit. While the defenses, like the claims themselves, are dependent upon the facts, the common defenses include: product alteration, where the plaintiff or others have altered or modified the product after manufacture; product misuse/abuse, where the plaintiff was using the product outside the recommended or normal use; comparative negligence, where the plaintiff through their own actions was negligent and contributed to the cause of their injury, and; assumption of risk, where the plaintiff knew the dangers of using the product in a certain way and knowingly assumed the risk of injury.

If a product liability claim is proven, the following types of damages, among others, may be recoverable by the plaintiff depending on the particular facts and the specific jurisdiction: (1) money damages for pain and suffering; (2) money damages for lost earnings or medical expenses; (3) long-term care expenses; (4) loss of financial support; (5) loss of consortium; (6) damage to property; and (7) punitive damages in the event the plaintiff can demonstrate reckless or intentional behavior on the part of the manufacturer. Punitive damages awards can be many times higher than the amount of compensatory damages and they are not awarded to compensate an injured party but rather to punish past and deter future misconduct. In some jurisdictions, plaintiffs may also be able to recover statutory damages and attorneys' fees if a state or U.S. federal statute permits such recovery. Usually, such statutes target specific goods or industries. The sources for these regulations are either state statutes or administrative regulations that place specific requirements on certain industries. Such requirements often take the form of labeling or licensing requirements and are usually enforced by public health or state safety agencies or by state attorneys-general. Civil and/or criminal penalties may be imposed for violations of the safety-driven consumer product regulations.

In addition to the state laws and regulations, some of our products are also governed by the federal Consumer Product Safety Act and its regulations, which are enforced by the U.S. Consumer Product Safety Commission (CPSC). These safety oriented laws and regulations govern consumer products. The laws require affirmative reporting to the CPSC of consumer product defects that constitute substantive product hazards. Failure to timely report substantial product hazards can result in significant fines and penalties. The CPSC also governs recalls of consumer products. Product recalls are normally implemented to remove or repair defective products in the market to help avoid injuries and limit product liability risk. The broad public notification issued for consumer product recalls can often provide a defense to product liability claims where plaintiffs were aware of but failed to participate in a recall.

The U.S. Magnuson-Moss Warranty-Federal Trade Commission Improvements Act ("**Magnuson-Moss**") addresses both written and implied warranties for consumer products. Magnuson-Moss authorizes the adoption of federal regulations concerning both written and implied warranties, governs disclosure and designation standards for written warranties, specifies standards for full warranties, and affords consumers with remedies for breach of warranty obligations and/or obligations under service contracts for consumer products. Consumer products sold in the United States are not required to have warranties, but any warranties provided by a manufacturer must comply with Magnuson-Moss. The statute governs the manner in which warranties must be communicated to consumers. In general, the terms and conditions of warranties must be conspicuously and fully disclosed, in simple and readily understood language, and any ambiguities are to be construed against the drafter of the warranty. The U.S. Federal Trade Commission has authority to enforce the requirements of Magnuson-Moss and regulations thereunder, and may seek an injunction to stop violations. Consumers may seek recourse for Magnuson-Moss violations in individual or class actions, and a prevailing consumer may recover the costs of suit (including attorneys' fees) in addition to damages.

Please see Risk Factors section of this prospectus, and in particular, the risk factors entitled "Unsatisfactory performance of or defects in our products may harm our reputation, lead to product returns or recalls, subject us to significant product liability litigations and have a material adverse effect on our business, financial conditions, and results of operations" and "Our power tools and OPE products make use of lithium-ion battery packs, and lithium-ion battery packs may catch fire or vent smoke and flame on rare occasions," for a discussion of certain product liability risks associated with our business.

Labor and Employment Laws

The employment of individuals in the United States is governed by federal, state and sometimes local laws. Labor and employment laws can generally be categorized under the headings of (i) equal employment opportunity, (ii) wage and hour, (iii) medical/disability, (iv) union rights, and (v) workplace safety. Typically, national laws set the minimum legal standard for employee rights, and state and local laws, if adopted, enhance those rights. Most employees in the United States are hired "at-will," meaning that their employment can be terminated at any time, with or without notice, cause, or government-mandated severance pay. However, individual employment agreements between an employee and employer may vary this status, and even an at-will employee may not be terminated for an illegal reason (such as discrimination), nor may an employee be terminated or otherwise retaliated against for engaging in protected activity under the law. In addition, employers are required to maintain workplaces that are free of harassment based on protected characteristics such as sex, race, etc.

Employees who believe they have suffered discrimination, harassment, or other alleged wrongs may pursue claims against us through state and U.S. federal governmental agencies and the courts. If we are found to violate applicable labor and employment laws, we may have to compensate affected employees and may face fines and penalties (monetary and otherwise).

Laws and Regulations concerning International Trade

The summary below addresses key U.S. legal and regulatory issues associated with international trade. Our cross-border operations include the importation of goods into the United States and the exportation of goods from the United States. As a result, our business requires compliance with tariffs and other import controls, antidumping rules and regulations, export controls, U.S. economic and other sanctions programs, and anti-bribery laws and regulations. See the sections headed "Risk Factors – Risks Relating to Our Industry and Business – We have operations in a number of different countries and jurisdictions, including in the PRC, which are subject to legal, regulatory, operational and other risks inherent in international and cross-border operations.", "Risk Factors – Risks Relating to Our Industry and Business – We are subject to import and export regulations." and "Risk Factors – Risks Relating to Our Industry and Business – Unfavorable economic and geopolitical conditions in the markets in which we operate, such as the trade tensions between China and the United States, may adversely affect our sales." in this prospectus, for further discussion of certain risks that arise in connection with our international and cross-border operations.

Importation of Goods into the United States

Importation of goods into the customs territory of the United States is governed principally by the Tariff Act of 1930, as amended, the Customs Modernization Act of 1983, and the regulations of U.S. Customs and Border Protection ("**CBP**").

Under these laws and regulations, U.S. importers have primary legal responsibility for initially valuing, classifying, and determining the rate of duty applicable to imported merchandise. The importer is required to exercise "reasonable care" in entering merchandise into the United States. This includes when providing to CBP information and documentation necessary for it to assess duties on imported merchandise, collect accurate import statistics, and determine whether an import complies with applicable laws.

Civil penalties may be assessed against any person who uses false or misleading statements to enter goods into the United States. In determining the applicable penalty for such a wrongdoing, CBP first determines the applicable degree of culpability of the offending party. In general, higher penalties are assigned to more egregious offenses, which are classified according to degree of culpability as due to negligence, gross negligence, or fraud. CBP considers that a violation is a result of negligence "if it results from failure to exercise reasonable care and competence: (a) to ensure that statements made and information provided in connection with the importation of merchandise are complete and accurate; or (b) to perform any material act required by statute or regulation." Gross negligence and fraud are found in more egregious cases where circumstances indicate more than a lack of due care. Gross negligence is assigned where CBP finds a violation done "with actual knowledge of or wanton disregard for the relevant facts and with indifference to or disregard for the offender's obligations under the statute." Fraud is assigned where the act was "committed (or omitted) knowingly, i.e. was done voluntarily and intentionally, as established by clear and convincing evidence." Where false statements affect the assessment of duties on imports, the statutory maximum civil monetary penalties vary depending on whether the violation is due to fraud, negligence, or gross negligence.

In addition to regulating the process of importation into the United States, CBP is charged with enforcing the import and export-related regulations of approximately 40 other U.S. federal agencies. Each such agency promulgates regulations governing importation of the products under their jurisdiction. CBP is charged with ensuring that imports (and exports) comply with those regulations and is authorized, in many cases, to effect seizures, forfeitures, and rejection of entry of non-conforming goods.

Antidumping Laws and Regulations

U.S. federal antidumping laws and regulations prohibit unfair global competition by prohibiting non-U.S. entities from selling products in the U.S. for unreasonably low prices. The usual test is whether the goods are being sold in the U.S. for less than they are sold for in the home market. If a company is found to be violating antidumping regulations, U.S. customs can impose additional duties on the imported goods.

Tariffs

The United States imposes a variety of tariffs on imported goods. While the U.S. Constitution grants Congress the authority to impose tariffs, several statutes have shifted that authority to the President under certain circumstances. Within the United States, agencies involved in international trade regulation include the CBP, the U.S. International Trade Commission ("**ITC**"), and the Office of the U.S. Trade Representative ("**USTR**"). CBP is responsible for collecting tariffs on goods imported to the United States during the customs clearance process. The ITC is a quasi-judicial agency that administers U.S. laws governing trade remedies and provides analysis, information, and other support concerning tariffs and other international trade matters for the President, U.S. Congress, and the USTR. The ITC also investigates alleged violations of U.S. trade law, including unfair trade practices under Section 337 of the Tariff Act of 1930, illegal foreign financial subsidies, and violations, and Section 201 of the Trade Act of 1974 (imports of goods into the U.S. at an increased quantity that is a substantial cause of serious injury to a U.S. domestic industry). The USTR is a cabinet-level position within the office of the President of the United States, and serves as the President's principal adviser, negotiator, and spokesperson regarding matters of international trade.

The USTR is authorized to take certain action under Section 301 of the Trade Act of 1974 ("**Section 301**"), including without limitation the imposition of tariffs or other restrictions on imports, if it determines after investigation that a foreign government has engaged in unfair trade practices. In 2018, following a USTR investigation and report, the United States imposed tariffs on certain imported goods of Chinese origin. Section 301 tariffs are assessed and collected in addition to any other duties that may apply (including, without limitation, antidumping duties). Both the United States and China have brought claims against one another before the World Trade Organization in connection with this trade dispute.

Export Controls

The U.S. prohibits the export of controlled goods, services, and information through two primary sets of laws. The International Traffic in Arms Regulations ("**ITAR**") were created by the Arms Export Control Act of 1976. ITAR-controlled exports are regulated by the U.S. State Department. A separate set of export controls is administered by the U.S. Department of Commerce under the Export Administration Regulations ("**EAR**").

Both ITAR and EAR govern "exports" which are broadly defined to be a transfer of (a) something that is controlled, (b) from a U.S. person, (c) to a non-U.S. person. Controlled transfers include physical products, services, and technology. U.S. persons are defined as U.S. citizens and lawful permanent residents along with companies incorporated in one or more U.S. states. Non-U.S. persons are any individual, company, government, or other entity that does not meet the definition of a U.S. person.

Exports subject to control under ITAR and EAR can be made by the physical transfer of goods, or by visual, oral, or electronic transmission. Transfers of goods or information that take place within the borders of the United States can still be subject to export control laws if the transfer is to a non-U.S. person.

In order to legally export controlled goods, services, or information, the proposed exporter must register with the State Department or Commerce Department and then obtain a license prior to initiating the export. Penalties for non-compliance with U.S. export control laws can be both civil and criminal and include substantial monetary fines.

Economic Sanctions

The U.S. imposes various economic sanctions against targeted countries, groups, and individuals (collectively, the "**U.S. Sanctions Programs**"). Each sanctions program is authorized under either the International Emergency Economic Powers Act ("**IEEPA**") or the Trading with the Enemy Act of 1917 ("**TWEA**"). Most are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"), while aspects of certain sanctions programs are administered by the U.S. Department of State. Export-related aspects of restrictions against certain countries are also under the jurisdiction of the EAR and administered by the Department of Commerce.

The U.S. Sanctions Programs include both comprehensive trade restrictions, i.e. embargos, against countries or regimes, and selective sanctions measures, depending on foreign policy and national security objectives sought to be achieved through sanctions. In some cases, sanctions are directed against designated groups or individuals, including terrorist organizations, narcotics traffickers, weapons proliferators, and others, and include blocking and asset freeze requirements related to sanctioned parties.

The U.S. maintains comprehensive embargoes against certain nations and areas including Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine. Persons subject to U.S. sanctions are prohibited from most transactions involving these countries, including exports, imports, sales, services, and financial transactions that pertain to the sanctioned county or persons in the sanctioned country. In addition, the U.S. Sanctions Programs against these countries include blocking provisions that prohibit U.S. persons from dealing in any property or property interest of certain designated persons or entities in each country.

In general, the comprehensive sanctions programs apply only to "U.S. Persons." This is defined to include "any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States." However, in recent years, OFAC, the President, and the U.S. Congress have adopted measures to extend the reach of U.S. sanctions beyond just U.S. persons and borders. This has been accomplished by targeting foreign sanctions evaders and transactions that seek to evade or avoid, cause a violation of, or attempt to violate the sanctions, and conspiracies formed for those purposes. In addition, the Cuban and parts of the Iranian sanctions programs apply to non-U.S. subsidiaries of U.S. persons (i.e., entities owned or controlled by a United States person and established under the laws of another nation or maintained outside the United States).

In addition to the comprehensive sanctions programs, the U.S. maintains "list-based" sanctions programs against targeted regimes, entities and individuals that have been found to have taken actions contrary to the foreign policy or national security interests of the United States.

In the United States, there are three primary sanctions lists that are maintained by OFAC. The most extensive is the List of Specially Designated Nationals and Blocked Persons (the "**OFAC SDN List**"). The OFAC SDN List comprises persons and entities whose property or interests in property are required to be blocked or "frozen" if in the U.S. or under U.S. jurisdiction. OFAC is authorized to direct persons subject to U.S. jurisdiction to block or freeze property in which a sanctions target (i.e., an SDN) has an interest, however remote. Consequently, U.S. Persons are prohibited from virtually all transactions with SDNs or their property (absent OFAC authorization).

Penalties for violations of the U.S. Sanctions Programs are prescribed under IEEPA. They include civil penalties and criminal penalties up to US$1 million per violation and imprisonment of up to 20 years.

The Foreign Corrupt Practices Act and Other Anti-Bribery Laws

The U.S. federal Foreign Corrupt Practices Act ("FCPA") includes two key elements:

- *Anti-bribery provisions*. A person may not give or offer money, gifts, or anything of value to a foreign government official to obtain or retain business.

- *Accounting requirements*. Companies must maintain accurate books and records and adequate internal accounting controls to avoid disguising corrupt payments. The U.S. Department of Justice and Securities and Exchange Commission enforce the FCPA. This Note focuses on the FCPA's anti-bribery provisions.

The FCPA applies to two broad categories of persons: those with formal ties to the US and those who take action in furtherance of a violation while in the U.S. Recently, foreign companies in both categories have been the focus of an increasing number of enforcement actions.

In addition to the FCPA, U.S. state criminal laws generally prohibit bribery of government officials and private commercial actors.

Tax Law

Federal Government

The U.S. federal government can levy a variety of taxes on U.S. businesses, non-U.S. businesses engaging in certain activities in the United States, and business owners and their employees. Our business activities in the U.S. require us to pay U.S. federal income tax, taxes on the sale of certain assets, income tax on dividends, distributions, and interest, sales and other transfer taxes, employee payroll taxes, withholding obligations, and other taxes.

Federal and state tax laws are subject to change. For example, U.S. President's administration has proposed several changes to federal taxation of corporations, including multinational corporations, and parts of the proposal are working their way through the legislative process. Changes to federal and state taxation adopted into law after the date of this prospectus could be material to our business.

State and Local Governments

In addition to the federal government, the 50 U.S. states and their political subdivisions play an important role in taxing and regulating business activity within their respective jurisdictions. For example, our business activities within a U.S. state may be subject to the state's business and personal income tax, payroll tax, sales tax, real and personal property tax, franchise tax, withholding obligations, and other taxes. In addition, some local governments, such as counties and cities, may impose their own similar taxes.

Registration and Regulation

There is no such thing as a "U.S. corporation." Instead, corporations in the United States are registered and organized in one of the 50 states. In addition to its legal formation in a particular state, a corporation that does business in more than one state may need to qualify or register to do business in other states if the corporation's activities establish "minimum contacts" for tax purposes in those states.

Individual state laws apply to business transactions occurring in each state, unless such laws conflict with, or are superseded by, U.S. federal law, which takes precedence over state and local law. For this reason, U.S. businesses frequently must comply with separate federal, state and local regulations.

Transfer Pricing Rules

The U.S. federal government requires related parties to transact with each other using arm's length pricing. In effect, this prohibits multinationals from avoiding income tax on U.S.-generated profits by overcharging their U.S. subsidiaries for foreign-made products. In the event that this occurs, U.S. federal tax authorities will "readjust" the prices charged by the non-U.S. entity to its wholly owned U.S. subsidiary.

Intellectual Property Law

The United States has both federal and state laws that govern intellectual property rights ("**IPRs**"). Some IPRs are governed exclusively by federal law, while others are governed by both federal and state laws. See the section headed "Risk Factors" in this prospectus for a discussion of the importance of intellectual property protection to our business and certain risks related to our intellectual property.

Intellectual Property Rights Governed by Federal Law

The IPRs that are the exclusive domain of federal law are copyrights and patents.

Copyrights. A copyright is a set of exclusive rights owned by the creator of an original work that is fixed in tangible form. A copyright (i) covers expressions, not ideas; (ii) cannot be purely functional; and (iii) must be an original work. U.S. copyright law is governed by the Copyright Act of 1976, codified at 17 U.S.C. 101 et seq.

Patents. A patent is a government grant providing the patent owner with the right to exclude others from manufacturing, using, or selling a claimed invention within the United States or practicing a claimed method within the United States. A patent is obtained by filing an application with the U.S. Patent and Trademark Office ("**USPTO**") claiming a useful, novel invention. The application must comply with various requirements set forth in the Patent Act (codified at 35 U.S.C. § 1 et seq) and regulations established by the USPTO, which is an agency within the U.S. Department of Commerce.

A patent owner can bring an infringement action in a U.S. federal court or, where the importation of infringing goods is involved, before the ITC. A patent owner may be entitled to remedies against an infringing party including preliminary and permanent injunctions, direct damages (including lost profits or royalties), and, in exceptional cases, treble damages and attorneys' fees.

Intellectual Property Rights Governed by both Federal and State Law

Trademarks and service marks. A "mark" is the use of one or more words, symbols, or logos to identify and distinguish the mark owner's goods and/or services. A trademark is a mark used for goods; a service mark is a mark used in connection with providing services. U.S. trademarks and service marks generally must (i) be different from prior marks, (ii) not be generic, and (iii) not be descriptive. U.S. federal trademark law is governed by the Lanham Act, codified at 15 U.S.C. § 1051 et seq. The USPTO is responsible for examining trademark and service mark applications and either granting or rejecting applications to register marks. Once granted, a trademark or service mark provides its owner with nationwide exclusivity within one or more particular fields of use.

State law is an alternative basis for trademark and service mark rights, either under specific state laws or under common law. States generally provide common law rights in trademarks and service marks upon their first use in commerce, without requiring registration. Some states have registries for trademarks and service marks. The rights inherent in such marks are limited to the state where they are used.

The owner of a trademark generally has a cause of action for infringement against a defendant who uses a mark that is likely to cause confusion in the relevant marketplace about the source of goods or services, or likely to cause consumers to falsely infer some association or affiliation between the trademark owner and the defendant. A plaintiff may be entitled to preliminary and permanent injunctions (including destruction of infringing articles), actual monetary damages, accounting of the defendant's profits, and in some cases, attorneys' fees.

Trade secrets. A trade secret is information that (i) has independent economic value from being generally unknown by the public and (ii) is the subject of reasonable efforts under the circumstances to maintain its secrecy. Trade secrets are governed by both federal and state law. The Defend Trade Secrets Act, codified at 18 U.S.C. § 1836, et seq. ("**DTSA**"), is the federal trade secret law. Enacted recently in

2016, the DTSA applies only to trade secrets used in interstate or foreign commerce. The DTSA provides specific remedies for trade secret misappropriation, including ex parte seizure in specific and generally rare instances. The DTSA is similar to the Uniform Trade Secret Act ("**UTSA**"), a model set of laws enacted by almost all fifty states within the U.S. A trade secret owner may often have a choice in enforcing its trade secret rights under the DTSA or a relevant state's version of the UTSA.

Distribution Relationships

As a producer of consumer goods, we have numerous contractual relationships with distributors, dealers and resellers who sell our products to the public. U.S. antitrust laws and regulations may be implicated in the event that we seek to terminate a contract or other relationship with a dealer, distributor, or other reseller of our goods. In addition, state dealer protection statutes and state franchise laws may apply to commercial relationships with dealers and resellers of our products.

Generally, a manufacturer or supplier may have liability under U.S. federal antitrust laws, primarily the Sherman Antitrust Act of 1890, as amended ("**Sherman Act**") and the Federal Trade Commission Act of 1914, as amended ("**FTC Act**") and regulations thereunder. The Sherman Act prohibits agreements that unreasonably restrain trade, as well as monopolization, attempted monopolization, and conspiracies to monopolize. Although a monopoly is not inherently illegal under U.S. federal antitrust laws and regulations, use of a monopoly to prevent competitors from entering or effectively participating in the market may violate antitrust laws. The FTC Act gives the U.S. Federal Trade Commission authority to bring claims against unfair competition.

Successful antitrust claims may carry significant penalties (in addition to litigation and defense costs), including without limitation treble damages and/or an injunction prohibiting the defendant from conducting business in a particular manner. Criminal sanctions may include monetary penalties, and individuals convicted of antitrust violations may be sentenced to serve up to ten years in prison in addition to a monetary penalty.

State dealer protection laws and franchise laws are intended to provide dealers and franchisees with certain remedies to address real or perceived imbalances in bargaining power between dealers and franchisees and their suppliers. Dealer and franchise protection laws vary significantly among states within the U.S.; although may states have dealer protection laws, not all dealer protection laws may be applicable to resellers of our products. To the extent that state dealer protection and/or franchise laws apply to our relationships with dealers, distributors, or other resellers of our products, the rights and remedies afforded to dealers, distributors, and other resellers vary significantly. These rights may address procedural matters, such as a right to receive written notice within a specified period before termination of a dealership or distributorship arrangement. Others provide substantive remedies, which may be substantial. These remedies may include a requirement that a manufacturer or supplier must have good cause to terminate, decline to renew, or substantially change its relationship with a distributor, dealer or reseller, as well as a right to require the manufacturer or supplier to repurchase inventory upon termination. These dealer protection and franchise laws are enacted and enforced at the state government level, and often provide dealers and distributors with a cause of action against their suppliers.

In addition to governmental enforcement through the Federal Trade Commission, distributor and dealer terminations (including actual termination, as well as non-renewal and/or constructive termination, such as making terms more onerous such that the dealer or distributor relationship is effectively terminated though not technically terminated under the terms of a contract) are a common source of private antitrust claims. In these actions, a plaintiff may allege that the termination resulted from an illegal conspiracy among a supplier and other distributors (competitors of the plaintiff) to shield themselves from price competition from the terminated distributor.

U.S.-Based Data Privacy Regulations

We are subject to federal and individual U.S state laws and regulations that dictate whether, how, and under what circumstances we can collect, transfer, process, and/or retain certain data that is critical to our operations, as well as when we must notify individuals and governmental authorities if there is a breach of this data. Several federal laws are in place that regulate various types of data, including the Health Insurance Portability and Accountability Act of 1996, which governs the collection and use of certain health information (for example, with respect to our U.S. employees). There are also numerous state laws that are not uniformly adopted by other states, and new laws are being added more frequently than ever before. For example, California, Nevada and Virginia all have differing requirements when collecting personal information about consumers residing in these states, including website disclosures that must be made by the collector.

There have been a number of recent legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas related to consumer privacy. Various U.S. government agencies, including the Federal Trade Commission, have advocated for greater regulation of data privacy with respect to consumer information, including information collected over the internet, but uniform legislation has not yet been proposed.

Currently, the most comprehensive state data protection law in the United States is the California Consumer Privacy Act ("**CCPA**"), which generally regulates the collection, use, and disclosure of personal information of consumers in California (the most populous U.S. state). The California Attorney General enforces the CCPA and may seek civil penalties of up to US$7,500 per intentional violation. The law also allows consumers, under certain circumstances, to bring suits in the event of a data breach. Businesses within the scope of the CCPA are subject to several requirements regarding disclosures, mandatory consumer rights, and contractual provision with vendors. This law will be replaced by the California Privacy Rights Act, which adds additional requirements effective January 1, 2023. Several other states are planning to implement similar legislation in the near future.

Certain risks relating to consumer and other data protection are discussed in the Risk Factors section of this prospectus, under the heading "Our business and platforms generate and process a large amount of consumer and other data, and the improper use or disclosure of such data could subject us to fines and legal liability and harm our reputation."

Environmental Laws and Regulations

Our activities in the U.S. are subject to U.S. federal, state, and municipal laws governing the release of pollutants into the water, air, and soil. These laws affect how we receive, handle, store, market, label, and sell our products, and how our consumers use and dispose of our products. The U.S. Environmental Protection Agency ("**EPA**") is primarily responsible for promulgating and enforcing environmental regulations. U.S. states are generally free to adopt laws that are more stringent than U.S. federal law. Most U.S. states have adopted and enforce environmental laws and regulations applicable to businesses conducting activity in their states. Environmental laws in the U.S. are strictly enforced by federal, state, and local law enforcement agencies.

The U.S. Resource Conservation and Recovery Act ("**RCRA**") gives the EPA and delegated state agencies broad authority to regulate the generation, treatment, storage, transportation, and disposal of hazardous waste. To the extent our products include hazardous material, we are subject to regulations that provide how we must manage waste, label containers, and where the waste can be sent, among others. We may be required to send waste to a permitted hazardous waste disposal facility or a recycler. Our consumers may be required to dispose of our products in accordance with local environmental laws and regulations.

For further discussion, please see the section headed "Risk Factors – Risks Relating to Our Industry and Business – Risks Relating to Our Industry and Business – We are subject to national and local environmental and health and safety directives, laws, and regulations." in this prospectus.

3. LAW AND REGULATIONS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS IN GERMANY

German Employment and Labor Law

German Protection Against Unfair Dismissal Act (KSchG)

An employer's ability to (unilaterally) terminate an employment relationship is substantially restricted by the KSchG. The KSchG is applicable if the operation has more than 10 employees and the employee to be dismissed has been employed for more than 6 months. Under the KSchG, an ordinary dismissal (i.e. with notice) will only be effective if based on one of the three reasons for termination explicitly permitted by the KSchG. These are conduct-related dismissal, dismissal for reasons connected with the individual employee and dismissal for operational reasons.

Federal Vacation Act (BUrlG)

The BUrlG sets forth the rules regarding the minimum vacation entitlement of employees, the granting of vacation as well as the expiry of the vacation entitlement.

German Part-Time and Limited Term Employment Act (TzBfG)

The TzBfG sets forth rules to promote part-time work, to define the requirements for the permissibility of employment agreements for limited terms and to prevent discrimination against part-time and limited term employees.

German Works Constitution Act (BetrVG)

The BetrVG stipulates employee codetermination within an establishment. The most important codetermining body under the BetrVG is the works council, an elected employee representative body which has rights of its own vis-a-vis the employer. It exercises most of the codetermination rights governed by the BetrVG.

German Collective Bargaining Agreements Act (TVG)

The TVG regulates the right to and content of collective bargaining agreements. Collective bargaining agreement, inter alia, set forth a minimum standard for working conditions, such as remuneration, working hours and holiday entitlement.

German Environmental Law

Environmentally sound design of energy-related products (EVPG, EnVKG)

Ecodesign

The Framework Directive 2009/125/EC (also known as the Ecodesign Directive) provides the European legal framework for setting requirements for the ecodesign of energy-related products. It is transposed into German law by the Energy-related Products Act (EVPG). Corresponding requirements for the individual product groups (primarily mass-produced products) are laid down in the form of EC or EU regulations. Manufacturers or importers in the European Economic Area are responsible for compliance with these requirements. Ten new European Union (EU) regulations for the first time lay down requirements for repairability for certain product groups in addition to energy efficiency requirements. This is intended to ensure that appliances consume less electricity and can be used for longer. From the time the last unit is placed on the market, manufacturers must make spare parts available for seven to ten years (depending on the product group). Delivery must take place within a maximum of 15 working days after receipt of the order. All these parts must be replaceable with commonly available tools. These are different product categories, such as electric motors and external power supplies.

Energy Consumption Labelling

The Energy Consumption Labelling Act (EnVKG) transposes the Framework Directive 2010/30/EU on the indication of the consumption of energy and other resources (also called the Labelling Directive) into German law. The Labelling Directive aims to establish requirements for labelling on the consumption of energy and other resources for individual product groups such as energy-related products. Corresponding requirements for individual product groups (mainly mass-produced products) are laid down in the form of EC or EU regulations. Consumers are to be informed in a prescribed manner about the energy consumption of the products concerned here before making their purchase decision.

Waste Legislation

Waste law is shaped by a large number of European legal acts. One of the central directives in the area of waste management is the Waste Framework Directive (Directive 2008/98/EC amended by Directive 2018/851/EU)). It defines essential waste-related terms and establishes, among other things, a five-level waste hierarchy.

Main sources of law in this field are the Life Cycle Waste Management Act (KrWG) and the Landfill Site Regulation (DepV). The Federal KeWG is supplemented and substantiated by the waste laws of the federal states (Bundesländer), which essentially regulate questions of enforcement and the authorities responsible in the waste sector.

According to Section 1 of the KrWG, the purpose of the Act is to promote the circular economy in order to conserve natural resources and to ensure the environmentally sound management of waste. Under the KrWG, a company must, inter alia, ensure that waste is disposed of according to the rules set forth for the respective properties, e.g. the hazardousness, of such waste and must document such disposal. Waste classified as dangerous may only be handed over to certified waste disposal contractors. The rules for the close-down and the follow up care for landfills are inter alia set forth in the DepV.

Regulations for specific product waste can also be found inter alia in the Packaging Act (VerpackG), the Battery Act (BatterieG), the Electrical and Electronic Equipment Act (ElektroG), the Electrical and Electrical Equipment Substances Ordinance (Elektrostoff-VO).

The ElektroG sets out requirements for product stewardship in accordance with § 23 of the KrWG for electrical and electronic equipment. The ElektroG regulates the placing on the market, the take-back/recycling and the environmentally sound disposal of electrical and electronic equipment. Among other things, it also regulates which appliances must be registered and labelled (for example, with the ubiquitous symbol of the "crossed-out dustbin"). The current ElektroG is based on the amendment of the original WEEE Directive 2002/96/EC, i.e. on the newer WEEE Directive 2012/19/EU, also called WEEE2. According to the ElektroG, every obligated manufacturer, distributor, importer and direct shipper must register in Germany with the competent authority (Stiftung ear) before the corresponding products may be placed on the market. Pursuant to the ElektroG, distributors must specially label the appliances they place on the market. A WEEE labelling includes, among other things, the application of the appliance manufacturer's name or the corresponding brand name under which the appliance is registered with the ear foundation on the respective appliance. Products aimed at end consumers must also be labelled with the symbol of the crossed-out dustbin.

Some electrical and electronic equipment contains substances that are hazardous to health and the environment. For this reason, Directive 2011/65/EU (RoHS-II) was issued in 2011.The ElektroStoffV transposed the EU Directive into German law. Electrical and electronic equipment within the meaning of the ElektroStoffV may only be placed on the market if it does not contain more than 0.1 percent by weight of the following substances per homogeneous material: Lead, mercury, hexavalent chromium, polybrominated biphenyls (PBB), polybrominated diphenyl ethers (PBDE), etc. For cadmium, a maximum permissible concentration of 0.01 percent by weight per homogeneous material applies. According to the ElektroStoffV, it is the duty of the manufacturer to ensure that the requirements of the ElektroStoffV are met when placing electrical and electronic equipment on the market. The manufacturer must ensure that the technical documentation is available, must carry out the conformity assessment procedure, and must issue the EU declaration of conformity and ensure that the electrical or electronic equipment bears the CE marking. By issuing the EU declaration of conformity, the manufacturer confirms that the substance restrictions are complied with and that the conformity assessment procedure has been carried out. Manufacturers may only place equipment on the market that also bears a CE marking. In the case of a product bearing the CE marking, there is a rebuttable legal presumption that the electrical or electronic equipment does not contain any prohibited substances above the specifications of the ElektroStoffV, that it has the required documentation, that the conformity assessment procedure has been carried out and that it has been provided with an EU declaration of conformity.

The BattG transposes the European Battery Directive 2006/66/EC into German law. It regulates the placing on the market, the return and the environmentally sound disposal of batteries and accumulators. The law first came into force in 2009 and was updated in 2021. Further changes are expected from 2022 onwards from the update of the Battery Directive. The Battery Act only applies in Germany. Each country in the EU has its own battery legislation. Affected are non-rechargeable batteries (primary batteries) and rechargeable batteries (secondary batteries, accumulators), regardless of whether they are installed in appliances or not – unless an exemption is applicable. Manufacturers, importers and, if applicable, foreign suppliers must first register with the Battery Register of the EAR Foundation for all battery brands and battery classes before they are allowed to offer corresponding batteries or accumulators for sale or place them on the market in Germany for the first time. For all three battery classes, manufacturers as initial distributors must ensure the take-back and proper disposal of corresponding waste batteries from distributors and end-users. Batteries and accumulators must be correctly labelled. Manufacturers and distributors must provide certain mandatory information to end-users. Batteries containing hazardous substances are subject to special labelling requirements and a ban on circulation above certain thresholds. Manufacturers have regular obligations to report the batteries and accumulators they place on the market in Germany.

The German VerpackG transposes the European Packaging Directive 94/62/EC into German law. It regulates the placing of packaging on the market as well as the return and high-quality recovery of packaging waste. The VerpackG was amended in 2021 and has been in force since July 3, 2021. All distributors (manufacturers, dealers, importers) of products and thus also distributors of electrical appliances (ElektroG/WEEE) are affected by the VerpackG. This is because anyone who sells electrical appliances or other products also places packaging on the market. Manufacturers and importers of packaging must register with the Central Packaging Register Foundation (ZSVR) (from July 2022 at the latest, this will also apply to packaging that is not subject to system participation) before they may place it on the market in Germany for the first time. Furthermore, they must join a dual system for the nationwide collection and recovery of packaging subject to system participation. The packaging quantities placed on the market for the first time in Germany must then be regularly reported both to the Packaging Register and to the system. Manufacturers and subsequent distributors of B2B packaging must ensure the take-back and recovery of the corresponding packaging waste. This now also applies to reusable packaging. In the case of recovery, certain minimum quotas must be observed with regard to the type of recycling.

Legislation regarding the Protection of the Soil and of the Water

Main sources of law are the Federal Soil Protection Act (BBodSchG) and the Water Resources Act (WHG). Under these laws, a company is obligated to take the necessary precautionary measures to ensure that the soil and the water is not contaminated by it and to remediate contamination should it occur. These acts and the regulations promulgated thereunder stipulate that installations must be operated and that substances must be handled in a way that ensures this goal. If water is withdrawn from a body of water for the operations of a company, inter alia, the provisions of the WHG apply. If a company discharges rain water into a body of water, the discharge is regulated inter alia by the Waste Water Regulation (AbwV). The discharge of waste water from the production process into the municipal sewage water system is, inter alia, regulated by municipal waste water regulations.

Emission Control

The Federal Emission Control Act (BImSchG) and the regulations promulgated thereunder are major sources of law in this field. Their goal is the protection of the environment from detrimental effects caused by pollution of the air, noise, vibrations and similar occurrences.

The Equipment and Machinery Noise Abatement Ordinance (32.BImSchV, thirty-second ordinance promulgated under the BImSchG) transposed the European Directive 2000/14/EC of the European Parliament and of the Council of May 8, 2000 on the approximation of the laws of the Member States relating to the noise emission in the environment by equipment for use outdoors into German law. It applies to 57 different types of equipment and machinery, including landscape and garden equipment such as chainsaws, leaf blowers and lawn mowers. All of these products must be labelled when placed on the market, with manufacturers indicating the sound power level that is guaranteed not to be exceeded. Certain types of equipment and machinery must additionally comply with noise limits that are precisely regulated in the European Directive.

Equipment and machines according to column 2 of the Annex to the 32.BImSchV are only subject to compulsory labelling (e.g. portable motorised chain saw, hedge trimmer, leaf blower). This corresponds to Article 13 of Directive 2000/14/EC. For equipment and machinery according to column 1 (e.g. lawn mowers, motor hoes < 3 kW), additional noise emission limits apply according to Article 12 of Directive 2000/14/EC.

Chemicals

The use of chemicals is mainly regulated by the Chemicals Act (ChemG) and the by the Regulation on the Protection from Dangerous Substances (GefStoffV), as well as the Act regarding the Transportation of Dangerous Goods (GGBefG). Pursuant to the ChemG and the GefStoffV, each chemical must be classified and labeled. The handling of the chemical and the applied protection and safety measures with regard to the chemical must be suitable with respect to the respective classification of the chemical. Under the GGBefG and the regulation GGVSEB promulgated under it, a company must, inter alia, make sure that dangerous goods that it ships are adequately packed and labeled and that the carrier is notified of the dangerous goods.

On EU-level, companies are required to comply inter alia with the REACH Regulation ((EC No. 1907/2006) ("**REACH**") and the Classification, Labelling and Packaging (CLP) Regulation ((EC) No. 1272/2008) ("**CLP**"). REACH requires companies to identify and manage the risks linked to the substances they manufacture and market in the EU. They have to demonstrate how the substance can be safely used, and they must communicate the risk management measures to the users. Regulation (EU) 2020/878 of June 18, 2020 amends Annex II to the REACH Regulation with effect from January 1, 2021. This Annex II contains the requirements for the preparation of safety data sheets for chemical substances and mixtures. CLP is based on the United Nations' Globally Harmonised System (GHS) and its purpose is to ensure a high level of protection of health and the environment, as well as the free movement of substances, mixtures and articles. It requires manufacturers, importers or downstream users of substances or mixtures to classify, label and package their hazardous chemicals appropriately before placing them on the market. On April 20, 2021, the European Commission amended Part 1 of Annex VI to Regulation (EC) No 1272/2008 on Classification, Labelling and Packaging of Substances and Mixtures (CLP Regulation) for Adaptation to Technical and Scientific Progress (ATP) by Delegated Regulation (EU) 2021/643. This is the 16th adaptation. Both regulations are legally binding across the EU Member States and directly applicable to all industrial sectors.

German Occupational Health and Safety Law

Principal rules regarding occupational health and safety are set forth in the Occupational Health and Safety Act (ArbSchG) and in the accident prevention regulations which are promulgated thereunder. The ArbSchG and the accident prevention regulations inter alia set forth that the potential hazards of a job must be evaluated, that preventive occupational medical care is offered to the employees where required and that employees wear personal protective equipment where required.

German Law Regarding Exports

Pursuant to the Foreign Trade Act (AWG), the Foreign Trade Regulation (AWV) promulgated under it and Council Regulation (EC) No 428/2009 as amended by Commission Delegated Regulation (EU) No 2020/1749 of October 7, 2020, the export of certain products, in particular certain military and dual use products, to countries that are not members of the EU and also to EU member states (such intra-EU export is referred to as mere transfer (*Verbringung*)) is subject to a permission. On June 11, 2021, the revised version of the EC Dual-Use Regulation 428/2009 was published in the Official Journal of the European Union under the official title "Regulation (EU) 2021/821 of the European Parliament and of the Council of May 20, 2021 setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items (revised version)". Regulation (EU) 2021/821 will enter into force on September 9, 2021.

Principles of German Product Liability and Product Safety Law

The Product Liability Law (ProdHaftG) sets forth the liability of the manufacturer of a product for damages caused by a defect of the product. Pursuant to the ProdHaftG also the manufacturer of an upstream product is considered as a manufacturer within the meaning of the law, the same applies to the distributor who affixes his logo or his own trademark to the manufacturer's product or to the importer of the product.

The Product Security Act (ProdSG) stipulates that a product may only be introduced onto the market if it does not jeopardize the safety and the health of persons if used in a regular and foreseeable way. Insofar as a product is subject to one or more legal regulations under the ProdSG, it may only be made available on the market if it additionally meets the requirements provided for therein. Under the ProdSG, the assessment whether a product is secure is based in particular on the characteristics of the product, on the impact of the product on other products, on the product-related information (presentation, marking, warnings and instructions for use and operation, etc.) as well as on the group of users of the product (consumer or particularly endangered user groups). The ProdSG establishes uniform federal safety standards for products by prescribing regulations on the safety requirements of consumer products. The manufacturer's labelling according to the ProdSG provides, among other things, for the indication of the manufacturer's data on consumer products. This is to enable traceability as well as identification in case of e.g. consumer warnings or product recalls. The manufacturer, his authorized representative and the importer must affix a clear identification mark on the consumer product. The marking, in conjunction with the manufacturer's data, must ensure the identification of a product, e.g. in the event of a recall. The responsible persons must also ensure that the user is informed about risks associated with the consumer product during its period of use (e.g. instructions for use).

Tax Law

Customs Law

In principal, Germany's Constitution grants exclusive authority to legislate customs duties to domestic federal competence. However, as a member of the EU, Germany has transferred this authority to the European Union to a vast extent.

Therefore, the main legal bases for collecting customs duties in Germany include the following legislative acts and their subsequent amendments:

(a) the Union Customs Code (UCC) (Regulation (EU) No 952/2013 of October 9, 2013 laying down the Union Customs Code);

(b) the Delegated Regulation (DA) (with corrigendum) (Regulation (EU) 2015/2446 of July 28, 2015 supplementing the UCC) and (Regulation (EU) 2016/651 of April 5, 2016 correcting the Delegated Regulation);

(c) the Implementing Regulation (IA) (Regulation (EU) 2015/2447 of November 24, 2015 laying down detailed rules for the implementation of the provisions of the IUCC);

(d) the Transitional provisions (TDA) (Regulation (EU) 2016/341 of December 17, 2015 supplementing the UCC as regards transitional provisions for certain provisions of the Union Customs Code where the relevant electronic systems are not yet operational and amending Delegated Regulation (EU) 2015/2446);

(e) the Customs Duty Exemption Regulation (Customs Duty Exemption Regulation) Council Regulation (EC) No 1186/2009 setting up a Community system of reliefs from customs duty the Common Customs Tariff of the European Communities;

(f) the Customs Administration Act of December 21, 1992 and the Customs Ordinance of December 23, 1993 implementing the Customs Administration Act.

Intellectual Property Law

Trademark Law

Trade mark rights can exist at national, European and international level. A distinction is made between word marks (the written name), figurative marks (for example, the graphic representation of a logo) and combined word-image marks. Rather rarely, there are also colour marks, sound marks, olfactory marks and haptic marks. Accordingly, there are national trade marks, EU trade marks and IR trademarks.

The trademark finds in Germany its legal basis in the Trademark Act (MarkenG) and serves to identify the goods or services of a company. Pursuant to Section 4 No. 1 Trade Mark Act (MarkenG), trade mark protection generally arises only through the filing of an application for registration and the entry of the sign in the trade mark register, which is subject to a fee. The German trade mark register is kept at the German Patent and Trade Mark Office (DPMA). In principle, the application must be filed before registration. Trade mark protection can also be obtained through "reputation" alone, i.e. the use of a sign as a trade mark in the course of trade. However, a prerequisite for this is that the sign has acquired a reputation as a trade mark within the relevant public.

The European Union has enacted the harmonized trademark law in 1992 and the European Intellectual Property Office (EUIPO) was established in 1994 in Alicante (formerly known as Office for the Harmonization of the Internal Market, OHIM). There is a uniform European trade mark, the so-called "European Union trade mark", which is registered with the European Intellectual Property Office (EUIPO). This is valid for all EU member states. The last amendment of the European regulation (EU) 2017/1001, i.e. introducing new forms of trademarks, came in force on October 1, 2017.

Under European law all signs capable of distinguishing goods and services originating from one company from another company can be protected. Once registered trademarks are protected for a period of 10 years and can be renewed multiple times for periods of ten years.

Trademarks under the European regime have to be used within the period of the last five years otherwise they are open to cancellation actions due to none-use. This cancellation action can be filed by anyone even without claiming any specific right to do so.

Trademarks can be filed and registered with these offices and provide protection in the respective country according to the national rules. The national laws can differ substantially from another.

Trademarks registered with the EUIPO are enforceable in front of the civil courts in every member state of the EU. National trademark registrations are enforceable in the national courts of the respective country only.

If a trade mark is also to be protected outside Germany, then there is also international ("worldwide") trade mark registration, or IR trade mark for short, in addition to the EU trade mark ("EU trade mark"). IR stands for "internationally registered". However, an international trade mark is not a world trade mark. With the IR trade mark, the trade mark owner receives a kind of "protection right in the association".

The basis of the international trade mark is the so-called Madrid Agreement concerning the International Registration of Marks (MMA), which was concluded as early as 1891 by a number of countries, especially European countries. The agreement was supplemented by an additional protocol in 1989, the Protocol to the Madrid Agreement, PMMA. This made it possible for many other states to join the agreement and to (considerably) expand trade mark protection globally. Germany is a party to both the MMA and the PMMA.

Depending on whether a country is a member of the Agreement (MMA) and/or a member of the Protocol (PMMA), the application procedure for an international trade mark differs. The application procedure is handled centrally by the World Intellectual Property Organization (WIPO) in Geneva. For an international trade mark application under the Madrid Agreement or the Protocol to the Madrid Agreement, a so-called basic trade mark is first required in the country of origin of the trade mark applicant.

Patent law

Patents are granted for inventions in all fields of technology which are new, based on an inventive step and industrially applicable (Section 1 (1) of German Patent Act (PatG)).

With the grant of a patent, the owner of the patent is granted a right effective against everyone to prohibit others from using the invention (exclusive right). Although the patent proprietor is granted the exclusive right of use (positive right of use) under Section 9, sentence 1, PatG, this is limited by the conflict with prohibition rights (e.g. patents) of third parties, which may be older but also younger.

The term of a patent is 20 years calculated from the day after the application is filed. However, the exclusive right is effective only from the date on which the grant of the patent has been published in the Patent Gazette.

To obtain a patent, a patent application must be filed with the German Patent and Trademark Office or the European Patent Office.

A European patent is a patent granted by the European Patent Office (EPO) under the European Patent Convention (EPC).

Unlike the European patent with unitary effect, which has been planned for a long time but has still not been realised, it is not a patent that is valid for the whole of Europe or for the entire European Union. Only the application and the procedure for grant are centralised at the European Patent Office (EPO). After grant, the European patent has the same effect as a national patent in those states which were designated in the application and for which the respective national phases were initiated.

For this reason, a patent granted by the EPO can also be valid in states (e.g. Switzerland, Turkey) that are not members of the EU but are members of the EPC.

Tax Law

Company Taxation

The taxation of German companies depends on the entity's legal form.

Corporations are treated as nontransparent for tax purposes, i.e. that the taxable profit is subject to taxation at the level of the corporation itself. Profits of corporations are subject to corporation tax, solidarity surcharge and trade tax.

Partnerships are treated as transparent for tax purposes, i.e. that the taxable profit will be allocated to the partners and depending on the legal form of the partner is subject to income tax or corporation tax at the level of the partner. If the partnership has a commercial business, the partnership must pay trade tax.

Corporation Tax Act (KStG)

Corporation tax is the income tax for corporations such as a GmbH. The basis of taxation is the income earned during the calendar year. What constitutes income and how it is computed is determined in accordance with the Income Tax Act by way of reference. However, the Corporation Tax Act also sets out specific provisions that only apply to legal entities. Corporation tax, like income tax, is a direct tax. It is a tax imposed on the person of the taxpayer, i.e. the legal entity, and is not deductible from income.

The Corporation Tax Act distinguishes between limited and unlimited tax liability. Unlimited liability applies to legal entities whose registered office or place of management is located in Germany. Unlimited liability for corporation tax extends to income from all sources worldwide. If a corporation has neither its registered office nor its place of management in Germany, and only generates income in Germany, for example through a permanent establishment, it is subject only to a limited tax liability in Germany. In that case only the domestic income is taxable in Germany. The applicable double taxation agreements may offer ways to avoid double taxation.

Corporation tax is levied at the rate of 15% on the taxable profits. An additional solidarity surcharge of 5.5% of the tax amount is levied on corporation tax so that the total tax rate (corporate tax and solidarity surcharge) currently amounts to 15.825%.

Trade Tax Act (GewStG)

All commercial businesses that operate in Germany are liable for trade tax. Businesses are deemed to operate in Germany if they have a permanent establishment, i.e. a place of business, in the country. The activities of a corporation such as a GmbH are always deemed commercial business operations.

Trade tax is collected by the relevant local authority who also determines its rate of tax. Therefore, the rates differ in accordance with the city in which the business is located. Current effective rates range from around 14% to 18% of business income, whereby smaller towns are on the lower, larger towns on the higher end.

Value Added Tax Act (UStG)

Principally, VAT is chargeable on all public and private consumption (i.e. goods and service purchased by final consumers).

The main tax rates under the VAT Act are 19%, the general rate and 7%, the reduced rate. The tax base is the consideration for the goods or services provided.

If certain requirements are met, goods are exempt from VAT if they are delivered to another EU Member State (intra-Community deliveries of goods), as are goods delivered to a non-EU country (export deliveries). Also exempt are certain activities as medical treatments and the granting and brokering of loans. Land rentals are also exempt from value-added tax, although in some cases one may opt to be subject to VAT.

VAT legislation has largely been harmonized within the European Union, particularly through the VAT Directive. In Germany, the main legal bases for imposing VAT are the current versions of the VAT Act; the VAT Implementing Ordinance; the "Council Implementing Regulation (EU) No 282/2011 of March 15, 2011 laying down implementing measures for Directive 2006/112/EC on the common system of value added tax", which entered into force on July 1, 2011 and replaced Implementation Regulation No 1777/2005 of October 17, 2005; and the Import VAT Exemption Ordinance. The VAT Application Ordinance, which took effect on November 1, 2010 and replaced the 2008 VAT Guidelines, provides revenue authorities with instructions on how to interpret VAT law.

Real Property Tax Act (GrStG)

Real property tax is a tax imposed on the ownership of real property. The tax base is the value of the property under tax valuation laws. The legal basis for the imposition of real property tax is the Real Property Tax Act, in the version published in the Act to Reform Real Property Tax Law of August 7, 1973, with subsequent amendments. Real property tax is collected by the local authorities who also determine its rate of tax.

Real Estate Transfer Tax Act (GrEStG)

Real estate transfer tax is a transactions tax. It is imposed on transactions in respect of real property located in Germany, to the extent that these transactions transfer ownership or near ownership status. The tax particularly applies to contracts of sale and other legal transactions under which a party acquires a right to the transfer of title to real property located in Germany. Real Estate transfer tax will not only be imposed if real estate is directly sold to another party but may also be triggered if shares in a company owning real estate in Germany will be transferred.

The legal basis is the current version of the Real Estate Transfer Tax Act.

Real estate transfer tax is collected by the Länder, i.e. the German states, who also determine its rate currently ranging from 3.5% to 6.5% of the purchase price. It is market standard that Real Estate Transfer Tax is borne by the purchaser although by law the purchaser and the seller are liable for the tax.

OVERVIEW

We are a China-based global provider of power tools and OPE. Mr. Pan, Ms. Zhang and Mr. Xu Ningfeng founded Chervon International Trading, the predecessor of our Group in 1994, while Mr. Ke Zuqian ("**Mr. Ke**") also joined as a new business partner and became our Shareholder in 1996. Mr. Xu Ningfeng left our Group in 1997 due to a shift in his business focus and later re-joined as a shareholder in March 2021. See "– The Reorganization" "– Pre-IPO Investment" below for details. Mr. Pan, Ms. Zhang and Mr. Ke are currently our executive Directors, all of whom have extensive experience in the power tools and OPE industry. See the section headed "Directors and Senior Management" in this prospectus for details.

Our history can be traced back to 1994, when Mr. Pan and his two business partners, Ms. Zhang and Mr. Xu Ningfeng, started a foreign trading company with their personal funds, focusing on the export of power tools. Leveraging their experience in international trade and with the knowledge and competence of Mr. Ke, we decided to expand into the manufacturing business in 1997 in order to penetrate into the upstream supply chain and seize wider business opportunities. On February 19, 1999, our Company was established in Hong Kong as the holding company of our Group. We launched our power tools production line and further expanded into the OPE industry. During the Track Record Period, our products were sold to customers in more than 100 countries and regions, making our Group one of the top players in the global electric power tool and global electric OPE markets by revenue.

KEY BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Event
1994	Mr. Pan, Ms. Zhang and Mr. Xu Ningfeng founded a foreign trading company, Chervon International Trading, in Nanjing, focusing on the export of power tools and related products
1997	We decided to expand into the manufacturing business and established Nanjing Chervon Industry in the PRC
1999	Our Company was incorporated in Hong Kong
2005	Chervon NA was incorporated in the United States
2006	We opened our new CHERVON Industrial Park as our upgraded production base
2007	We launched our first professional brand, *DEVON*, targeting professional and industrial customers in China
	Chervon Europe Limited was incorporated in the United Kingdom
	We formed a joint venture with Bosch in Nanjing known as Nanjing Bovon with a focus on benchtop products

Year	Event
2013	We acquired Flex-Elektrowerkzeuge GmbH, a German power tool company, marking our expansion into the European professional market
	We launched our first outdoor power equipment brand, EGO, introducing the world's first 56V Lithium-ion battery driven outdoor power equipment
	We launched our brand X-TRON, targeting on the needs of hands-on contractors in the construction and home-improvement industries in China
2015	We opened our second CHERVON Industrial Park, Green Power, which is also used for outdoor power equipment business unit
2017	We acquired SKIL business in North America and Europe
2020	Chervon Vietnam was incorporated in Vietnam

CORPORATE DEVELOPMENT OF OUR GROUP

Major shareholding changes of our Company

Our Company was incorporated in Hong Kong with limited liability on February 19, 1999, and is the holding company of our Group. Upon its incorporation, the authorized share capital of our Company was HK$1,000 divided into 1,000 ordinary shares with a par value of HK$1.00 each. At the time of incorporation, our Company issued two ordinary shares with a par value of HK$1.00 each to Midland Investments Limited and Victoria Investments Limited, each an independent third party, which were subsequently transferred to PS Holdings Limited, a company wholly owned by Mr. Pan, on the same date.

Over time, our shareholding structure evolved as a result of a number of issuances of ordinary shares and equity transfers since our incorporation and up to the Latest Practicable Date. The major shareholding changes of our Company are set out below.

Initial increase of share capital

On May 21, 1999, the authorized share capital of our Company was increased to HK$7,800,000 divided into 7,800,000 ordinary shares of par value HK$1.00 each. On June 22, 1999, our Company issued and allotted 7,799,998 Shares of par value HK$1.00 each. Upon completion, the shareholding structure of our Company is as follows:

Name of Shareholder	Number of Shares	Percentage
		(%)
PS Holdings Limited(1)	3,822,000	49.00
K Holdings Limited(2)	1,404,000	18.00
SZ Holdings Limited(3)	1,404,000	18.00
Woodlane Holding Limited(4)	780,000	10.00
KW Holdings Limited(5)	390,000	5.00
Total	**7,800,000**	**100.00**

Notes:

(1) PS Holdings Limited was wholly owned by Mr. Pan.
(2) K Holdings Limited was wholly owned by Mr. Alain Savoure, an independent third party.
(3) SZ Holdings Limited was wholly owned by Ms. Zhang.
(4) Woodlane Holding Limited was wholly owned by Mr. Leung Siu Chung and his brother Mr. Leung Siu Yan, each an independent third party.
(5) KW Holdings Limited was wholly owned by Mr. Ke.

Subsequent share transfers and increases in share capital

From July 2003 to April 2008, several share transfers took place among and from our then existing Shareholders to new Shareholders and our Company increased its share capital on multiple occasions, which were subscribed by certain of our then existing Shareholders and new Shareholders. By April 10, 2008, the shareholding structure of our Company upon completion of the share transfers and the share subscriptions were as follows:

Name of Shareholder	Number of Shares	Percentage
		(%)
Panmercy[(1)]	10,689,230	66.53
Green Hope[(2)]	3,926,656	24.44
Klamm[(3)]	1,090,738	6.79
Vision Easy Investments Limited[(4)]	180,688	1.12
K Holdings Limited[(5)]	180,688	1.12
Total	**16,068,000**	**100.00**

Notes:

(1) Panmercy was wholly owned by Mr. Pan.
(2) Green Hope was wholly owned by Ms. Zhang.
(3) Klamm was wholly owned by Mr. Ke.
(4) Ms. Wu Hongwei is an independent third party who was our then vice president of the European market sales division from July 2003 to June 2021, and was subsequently re-designated as the vice president of business development of the Company since June 2021. Ms. Wu Hongwei was awarded 156,000 Shares as part of a share incentive arrangement on December 28, 2006, who subsequently transferred her shares to Vision Easy Investments Limited, a company wholly owned by her, on March 11, 2008. In April 2008, Vision Easy Investments Limited further acquired (i) 3,509 shares from an independent former employee at a consideration of HK$160,575; and (ii) 21,179 shares from Woodlane Holding Limited at the consideration of US$131,812. The consideration for the above transfers were determined based on arm's length negotiation with reference to the financial performance and net assets value of the Company at the time.
(5) K Holdings Limited was wholly owned by Mr. Alain Savoure, an independent third party.

Issue and allotment and transfer of Shares to Chervon Global

To better delineate the different businesses of Mr. Pan, we decided to incorporate Chervon Global as our Group's holding company. On October 28, 2009, the authorized share capital of our Company was increased to HK$468,000,000 divided into 468,000,000 ordinary shares of par value HK$1.00 each. On October 29, 2009, our Company issued and allotted 373,932,000 Shares of par value HK$1.00 each to Chervon Global.

In order for our shareholders to hold their Shares through Chervon Global, on December 7, 2009, Chervon Global acquired 16,068,000 Shares, representing all Shares held by Panmercy, Green Hope, Klamm, Vision Easy Investments Limited and K Holdings Limited, respectively, at a purchase price of HK$2.11 per Share. The consideration for the abovementioned transfers was determined with reference to our financial position at the time. Upon completion of the transfers, our Company became wholly owned by Chervon Global.

Changes to the structure and composition of the Board

Mr. Lo Wing Yan William ceased to be a director of our Company with effect from May 21, 2019. Pursuant to our former articles of association, our Directors were subject to re-election once every two years, and Mr. Lo Wing Yan William decided not to offer himself for re-election at the time given (i) his ordinary residence in Hong Kong limits his access to our business in the PRC; and (ii) his shift of focus to other personal commitments.

In preparation of its proposed Listing, our Company adjusted its board structure and composition in light of relevant Listing Rules requirements for enhanced corporate governance. Mr. Cheng Hong Kei and Mr. Xiao Jun resigned as directors of our Company with effect from August 4, 2021, and Mr. Cheng Hong Kei remained in our Group as a director of Chervon (HK) Limited, one of our principal operating subsidiaries.

To the best of our Director's knowledge and belief, there was no dispute or disagreement between (i) Mr. Lo Wing Yan William, Mr. Xiao Jun and Mr. Cheng Hong Kei and (ii) the Company, the Directors or Shareholders and there is no other matter relating to their resignation that needs to be brought to the attention of our Shareholders.

Pre-IPO Reorganization

Since December 2020, in preparation for the listing of our Shares, we underwent a corporate reorganization, which includes, amongst others, (i) the transfer of our entire issued share capital by Chervon Global as consideration for the repurchase of 21,809 ordinary shares by Chervon Global from its then shareholders; (ii) the issue and allotment of 5,844,911 Shares by way of rights issue; and (iii) the issue and allotment of 11,670,500 Shares pursuant to a one-off employee incentive arrangement. See "– The Reorganization" below for further details.

Our major subsidiaries and operating entities

As at the Latest Practicable Date, due to the geographical locations in which our Group operates, we conducted our business through 24 subsidiaries[(1)].

The details of our subsidiaries which made a material contribution to our results of operations during the Track Record Period are shown below:

Name of subsidiary	Date of incorporation	Place of incorporation	Issued/ registered capital	Equitable interest attributable to our Group	Principal activities
Nanjing Chervon Industry	September 26, 1997	PRC	US$144,073,464	100%	Production of tools, research and development, sales
Chervon (China) Tool Sales	June 28, 2010	PRC	RMB66,506,700	100%	Sales of power tools in the PRC
Chervon HK	November 8, 2010	Hong Kong	HK$5,000,000	100%	Trading, financial management
Chervon NA	February 25, 2005	United States	US$300,000	100%	Research in the North American market, product design, sales and services
EGO Europe	November 20, 2015	Germany	50,000 Euro	100%	Operation of our EGO brand, sales and services
Skil B.V.[(2)]	August 12, 2016	Netherlands	50,000 Euro	100%	DIY business design in Europe, operations and sales
FLEX EL[(3)]	November 27, 1980	Germany	3,580,100 Euro	100%	Production of our FLEX brand, design, sales and services
Chervon Vietnam	January 21, 2020	Vietnam	46,600,000,000 Vietnamese Dongs	100%	Production of gardening tools

Notes:

(1) Nanjing Bovon was deregistered on September 22, 2021.

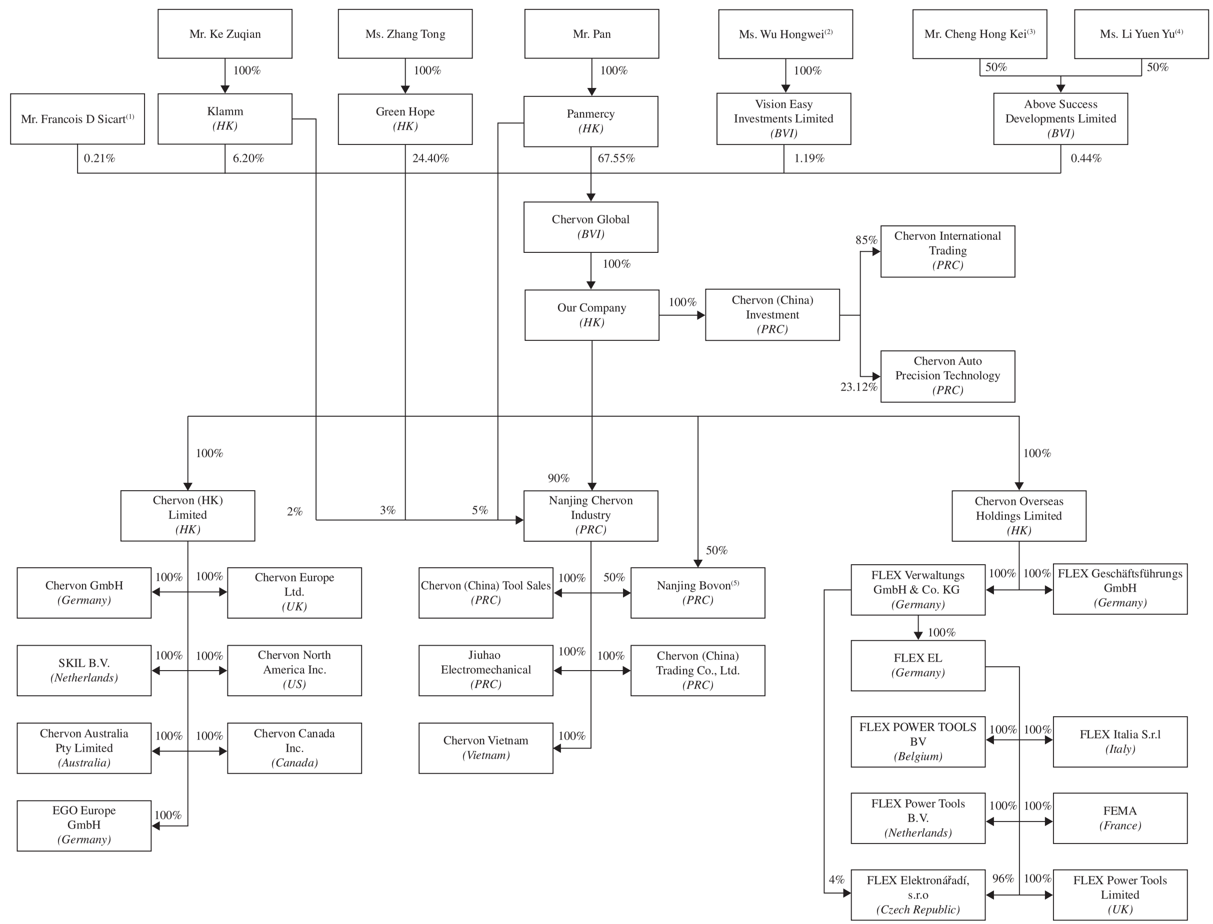
(2) Skil B.V. was established by our Group for acquiring the business of SKIL.

(3) Other than FLEX EL, which we acquired in 2013, all of our major subsidiaries as described above were established by our Group.

THE REORGANIZATION

The principal steps of the Reorganization, carried out in preparation for the listing of our Shares and in order to streamline our corporate structure, are set out below.

A simplified corporate structure prior to the Reorganization is set out below:



Notes:

(1) Mr. Sicart is the founding partner of an investment management company and has extensive experience in asset management and investments and an independent third party. He acquired 80 ordinary shares of Chervon Global from Mr. Alain Savoure, also an independent third party, at a consideration of US$482,792 in April 2015. The consideration was determined based on arm's length negotiation with reference to the financial performance and net assets value of Chervon Global and its subsidiaries as a whole at the time. Pursuant to the Reorganization, Mr. Sicart became a direct shareholder of our Company in March 2021. Please see "– The Reorganization" below for details.

(2) Ms. Wu Hongwei is an independent third party who was our then vice president of the European market sales division from July 2003 to June 2021 and was subsequently re-designated as the vice president of business development of the Company since June 2021.

(3) Mr. Cheng Hong Kei is a director of Chervon (HK) Limited, Chervon Global Holdings Limited, Chervon Asset Management Holdings Limited, Chervon Investment Limited and Chervon Capital Management Limited. Mr. Cheng Hong Kei acquired, through Above Success Developments Limited, 167 ordinary shares of Chervon Global from Panmercy at a consideration of US$1,002,487 in February 2017. The consideration was determined based on arm's length negotiation with reference to the financial performance and net assets value of Chervon Global and its subsidiaries as a whole at the time. Pursuant to the Reorganization, Mr. Cheng Hong Kei became a direct shareholder of our Company in March 2021. Please see "– The Reorganization" below for details. Mr. Cheng Hong Kei was a former director of our Company from September 2003 to August 2021, who resigned from directorship with effect from August 4, 2021.

(4) Ms. Li Yuen Yu is the spouse of Mr. Cheng Hong Kei.

(5) Nanjing Bovon was jointly established in January 2007 and held by the Company, Bosch Power Tools Holding AG and Bosch (China) Investment Ltd. as to 50%, 40% and 10% respectively, which is in proportion to their initial investment of US$5,000,000, US$4,000,000 and US$1,000,000 respectively.

Transfer of 10% equity interest in Nanjing Chervon Industry to our Company

On December 20, 2020, Panmercy, Green Hope and Klamm transferred to our Company 5%, 3% and 2% equity interest in Nanjing Chervon Industry for a cash consideration of RMB92,250,000, RMB55,350,000 and RMB36,900,000, respectively. The consideration for the abovementioned transfers was determined with reference to an independent valuation of the net assets value of Nanjing Chervon Industry as of September 30, 2020 and was settled on March 4, 2021. The registration of the transfers was completed on January 22, 2021, upon which Nanjing Chervon Industry became our wholly-owned subsidiary.

Issue and allotment of shares by Chervon Global

On January 27, 2021, Chervon Global issued and allotted 1,853 ordinary shares, among which 926 shares were issued and allotted to Panmercy, 556 shares to Green Hope and 371 shares to Klamm at the subscription price of US$14,458.43 per share.

Repurchase of shares by Chervon Global

To improve the flexibility of our shareholding structure, on February 8, 2021, Chervon Global transferred 390,000,000 Shares, representing the entire issued share capital of our Company, to its then shareholders as consideration for repurchasing 21,809 of its ordinary shares. The consideration for the repurchase of shares of the Company was determined with reference to the financial performance and net assets of Chervon Global and Company at the time. Upon completion, our Company was held by Panmercy as to 66.72%, Green Hope as to 24.67%, Klamm as to 6.85%, Vision Easy Investments Limited as to 1.14%, Above Success Developments Limited as to 0.42% and Mr. Francois D Sicart as to 0.20%.

Issue and allotment of Shares by way of rights issue

On March 17, 2021, our Company issued and allotted 5,844,911 Shares by way of rights issue at the subscription price of HK$1.00 per Share to its then existing Shareholders in proportion to their shareholding. Panmercy voluntarily gave up its right under the rights issue to subscribe for an additional 3,900,000 Shares, which were in turn subscribed by Nanjing Ruxin, a limited partnership whose sole general partner and executive partner is Mr. Xu Ningfeng. The surrendering of such right under the rights issue was to invite Mr. Xu Ninfeng to rejoin as a shareholder of our Company in recognition of his previous contributions to our Group as one of the co-founders. Upon completion, our Company was held by Panmercy as to 65.74%, Green Hope as to 24.67%, Klamm as to 6.85%, Vision Easy Investments Limited as to 1.14%, Above Success Developments Limited as to 0.42%, Mr. Francois D Sicart as to 0.20% and Nanjing Ruxin as to 0.99%.

Establishment of employee shareholding platforms and issue and allotment of Shares pursuant to an employee incentive arrangement

In recognition of the contributions of our senior management, core employees and other skilled personnel, our Company established ten PRC employee shareholding platforms on January 25, 2021, and two offshore employee shareholding platforms on February 18, 2021. On March 25, 2021, our Company issued and allotted 11,670,500 Shares at the price of HK$4.75 per Share to these employee shareholding platforms pursuant to a one-off employee incentive arrangement. The consideration paid by the relevant employees was determined based on our net assets value and financial position at the time. See "– Corporate Structure" below and the section headed "Appendix IV – Statutory and General Information – A. Further Information about our Group – 2. Changes in the Share Capital of our Company" in this prospectus for further details.

Disposal of PRC companies

To achieve clear delineation between our Group and the companies owned by our Controlling Shareholders, we disposed of our equity interest in the following companies which are not closely associated with our principal business:

(a) 85% equity interest in Chervon International Trading

Chervon International Trading was established on January 10, 1994 as a limited liability company and is principally engaged in secondary market investment. On February 24, 2021, Chervon (China) Investment, our wholly-owned subsidiary, transferred 85% equity interest in Chervon International Trading to Chervon Management Services, a newly incorporated holding company set up for investment management business which is indirectly wholly owned by Chervon Global, for a cash consideration of RMB47,814,000. The consideration was determined with reference to a valuation conducted by an independent valuer of the net assets value of Chervon International Trading as at September 30, 2020 and was settled on March 24, 2021. Prior to the disposal, the revenue and net profit of Chervon International Trading for the year ended 31 December 2020 are RMB297,000 and RMB261,000 respectively. The registration of the transfer was completed on February 25, 2021, upon which our Group ceased to hold any interest in Chervon International Trading.

(b) 100% equity interest in Jiuhao Electromechanical

Jiuhao Electromechanical was established on July 12, 2016 as a limited liability company and is principally engaged in property leasing. On February 25, 2021, Nanjing Chervon Industry transferred the entire equity interest in Jiuhao Electromechanical to Chervon Management Services for a cash consideration of RMB171,160,000. The consideration was determined with reference to a valuation conducted by an independent valuer of the net assets value of Jiuhao Electromechanical as at September 30, 2020 and was settled on March 15, 2021. Prior to the disposal, the revenue and net profit of Jiuhao Electromechanical for the year ended 31 December 2020 are RMB10,073,000 and RMB1,758,000 respectively. The registration of the transfer was completed on March 8, 2021, upon which our Group ceased to hold any interest in Jiuhao Electromechanical.

(c) 100% equity interest in Nanjing Suquan

Nanjing Suquan Investment Co., Ltd.* (南京蘇泉投資管理有限公司) ("**Nanjing Suquan**") was established on February 5, 2008 as a limited liability company in the PRC with a registered capital of RMB58 million. It is an investment holding company and does not have its own business operations. Nanjing Yaoquan Investment Management Co., Ltd.* (南京耀泉投資管理有限公司) ("**Nanjing Yaoquan**") which was a wholly owned subsidiary of Nanjing Suquan, was established on August 12, 2008 as a limited liability company in the PRC with a registered capital of RMB10 million and is engaged in private equity fund management businesses.

Nanjing Suquan was the subsidiary of the Company before December 28, 2018. On December 28, 2018, the Group entered into an agreement with Mr. Xiao Jun, a minority shareholder of Nanjing Suquan. Pursuant to the agreement, the Group agreed to dispose its 61% equity interest in Nanjing Suquan to Mr. Xiao Jun at a cash consideration of RMB10,921,300. Upon the completion of the Group's disposal on March 12, 2019, the Group's interest in Nanjing Suquan and Nanjing Yaoquan has been reduced to 24.88% and the aforementioned entities ceased to be subsidiaries of the Group but became associates of the Group.

On February 24, 2021, the Group entered into an agreement with Chervon Management Services, which is a related party wholly owned by Mr. Pan. Pursuant to the agreement, the Group agreed to transfer 19.02% equity interest in Nanjing Suquan to Chervon Management Services for a cash consideration of RMB8,373,300 (USD1,287,000). The consideration was determined with reference to the valuation of Nanjing Suquan performed by independent valuation firm. The remaining 5.86% equity interest in Nanjing Suquan, which was held by Chervon International Trading, was also disposed along with the disposal of Chervon International Trading on the same date.

As confirmed by our Directors, (i) the disposals of Chervon International Trading, Jiuhao Electromechanical and Nanjing Suquan do not have a material impact on our Group's operations and upon completion of the transfers, our Group has not had any subsequent business arrangement with the disposed companies; and (ii) each of the disposed companies had complied with all applicable PRC laws and regulations in all material respects during the Track Record Period prior to their respective disposals.

Chervon International Trading, Jiuhao Electromechanical and Nanjing Suquan are not engaged in our principal business. During the Track Record Period, Chervon International Trading was principally engaged in the trading of secondary market securities, Jiuhao Electromechanical held a property for leasing, while Nanjing Suquan is an investment holding company and does not have its own business operations. As the businesses of the disposed companies do not represent a separate major line of business or geographical area of operations of our Group, their respective disposals were therefore not treated as discontinued operation in our Group's consolidated financial statements in accordance with HKFRS 5.

COMPLIANCE WITH PRC LAWS

Our PRC Legal Adviser confirmed that: (i) all necessary regulatory approvals, permits and licenses required under PRC laws in relation to the Reorganization have been obtained; and (ii) all share transfers and changes in registered capital as part of the Reorganization has complied with all applicable PRC laws in all material respects.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Nanjing Bovon was established as a joint venture in the PRC in January 2007 with an initial registered capital of US$10,000,000. Upon incorporation, it was held by our Company as to 50%, Bosch Power Tools Holding AG as to 40% and Bosch (China) Investment Ltd.* (博世(中國)投資有限公司) ("**Bosch China**") as to 10%. In November 2011, Bosch Power Tools Holding AG was acquired by Scintilla A.G., a member of the Bosch group, which became a shareholder of Nanjing Bovon holding 40% of its registered capital.

On September 29, 2019, in order to consolidate our interest in companies associated with our principal business into our Group to better focus on our core business, and to reduce our compliance burden regarding potential connected transactions upon Listing, Nanjing Chervon Industry entered into an equity transfer agreement with Scintilla A.G. and Bosch China, each an independent third party, to acquire 40% and 10% of the equity interest in Nanjing Bovon, a power tools supplier, from Scintilla A.G. and Bosch China for a cash consideration of RMB32,000,000 and RMB8,000,000, respectively. The registration of the transfer was completed on December 6, 2019, upon which Nanjing Bovon became our wholly-owned subsidiary. The consideration was arrived at arm's length negotiation with reference to the appraised net assets value of Nanjing Bovon as determined by an independent third party valuer in a valuation report dated September 30, 2019 and was fully settled on December 27, 2019. After the acquisition, the personnel, equipment and operations of Nanjing Bovon were transferred to Nanjing Chervon Industry in order to streamline our corporate group structure, and Nanjing Bovon was deregistered on September 22, 2021 as the Group intended to simplify its corporate group structure. As advised by our PRC Legal Adviser, Nanjing Bovon had complied with all applicable PRC laws and regulations in all material respects and was not the subject of any material regulatory actions, regulatory enquiries or investigations, legal claims or proceedings during the Track Record Period and up to the date of its deregistration.

As advised by our PRC Legal Adviser, the acquisition has been properly and legally completed and settled and all necessary regulatory approvals required under PRC laws have been obtained.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not conduct any other acquisitions, disposals or mergers that we consider to be material to us.

PRE-IPO INVESTMENT

On January 29, 2021, Nanjing Ruxin entered into an investment agreement with the Company and Chervon Global, pursuant to which, subject to our Shareholders' and our Board's approval for the issue and allotment of Shares by way of rights issue before completion of the agreement, Nanjing Ruxin agreed to subscribe for 3,900,000 Shares at a consideration of HK$3,900,000, which was determined based on the amount of paid up share capital of our Company as of January 29, 2021. The consideration was fully settled on March 29, 2021. For details, see "– The Reorganization – Issue and allotment of Shares by way of rights issue" above.

Upon completion, our Company became directly owned as to 0.96% by Nanjing Ruxin.

Further details of the pre-IPO investment are set out below:

Name of investor	Nanjing Ruxin
Date of the investment agreement	January 29, 2021
Amount of consideration paid(1)	HK$3,900,000
Payment date of consideration	March 29, 2021
Cost per Share paid	HK$1.00
Discount to the Offer price(2)	97.54%
Use of proceeds	The proceeds are intended to be utilized towards our general working capital. As of the Latest Practicable Date, none of the proceeds from the pre-IPO investments had been utilized.
Strategic benefits	The pre-IPO investment contributed part of the offshore funding required in connection with the Reorganization.
Shareholding in our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	0.81%

Notes:

(1) The consideration was decided on the basis of HK$1 per share based on the amount of paid up share capital of our Company at the time of the investment agreement.

(2) The discount percentages are based on an Offer Price of HK$40.60, being the mid-price of the indicative range of the Offer Price between HK$37.60 and HK$43.60.

With respect to the pre-IPO investment, Nanjing Ruxin has not been granted any special rights in relation to our Company.

Background of Nanjing Ruxin and Mr. Xu Ningfeng

Nanjing Ruxin is a limited partnership incorporated in the PRC and whose sole general partner and executive partner is Mr. Xu Ningfeng, one of our co-founders. In June 1991, Mr. Xu Ningfeng obtained his bachelor's degree from University of International Business and Economics* (北京對外經濟貿易大學) in the PRC. After graduation, he worked in Nanjing Machinery, Minerals, Metals & Medicine Import and Export Company* (南京機械五金礦產醫藥保健品進出口公司) from 1991 to 1993. In 1994, Mr. Pan, Ms. Zhang and Mr. Xu Ningfeng founded Chervon International Trading, the predecessor of our Group, where Mr. Xu Ningfeng served as a director and was involved in managing its business strategies and day-to-day operations.

On March 22, 1997, Mr. Xu Ningfeng voluntarily transferred his entire shareholding in Chervon International (Hong Kong) Corp., Limited (泉峰國際(香港)有限公司) to the other co-founders of our Group to pursue new business and investment opportunities due to a change in his business focus. After his departure, Mr. Xu Ningfeng had not taken up any roles and responsibilities in our Group until he re-joined the Group as a passive investor by virtue of his shareholding in Nanjing Ruxin in March 2021.

To the best of our Directors' knowledge, information and belief, Mr. Xu Ningfeng decided to invest in our Group as he believed in the prospect of the power tools and OPE industry and that he was one of co-founders who had knowledge and confidence in our management. The relevant pre-IPO investment was duly approved by our Shareholders. Having taken into consideration that (i) the subscription by Nanjing Ruxin was made pursuant to Mr. Pan/Panmercy's voluntary surrender of his/its right under the rights issue to subscribe for an additional 3,900,000 Shares; (ii) Mr. Xu Ningfeng's previous contributions to our Group as one of the co-founders; (iii) the Listing is conditional and may or may not go forward; (iv) the equity risk assumed by Nanjing Ruxin in investing in an unlisted company; and (v) the basis of determination of the consideration as disclosed above, our Company believes that it is in our commercial interests to enter into the pre-IPO investment.

Following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Nanjing Ruxin will be interested in 3,900,000 Shares, representing 0.81% of the total number of our Shares in issue. Neither Nanjing Ruxin nor Mr. Xu Ningfeng will be a substantial shareholder of our Company, and other than investment in our Group, Nanjing Ruxin and Mr. Xu Ningfeng are parties independent of our Company and its connected persons, hence the Shares held by Nanjing Ruxin will be treated as part of the public float of our Company following Listing for the purpose of Rule 8.08 of the Listing Rules. Save as disclosed above and to the best knowledge of the Directors, there are no other past or present relationships between Mr. Xu Ningfeng and the Company and its subsidiaries, their shareholders, directors and senior management, and any of their respective associates.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the terms of the Pre-IPO investment as described above are in compliance with (i) the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017; and (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

PRC LISTING PLAN

Following the continued growth in our scale of business and with a view to enhance our corporate image and broaden our investor base, we decided to tap into the capital markets by seeking a listing of our shares on a reputable stock exchange. Our Directors considered that the vision of the Shanghai Stock Exchange Science and Technology Innovation Board ("**SSE STAR Market**") aligns with our corporate image and dedication to business innovation, and initially explored the possibility of seeking an initial public offering on the SSE STAR Market (the "**PRC Listing Plan**"). We engaged China International Capital Corporation Limited as the tutoring agency to provide guidance and preliminary compliance advice with regard to our proposed listing on the SSE STAR Market. We made a preliminary tutoring filing (上市輔導備案申請) with the Jiangsu Regulatory Bureau of CSRC (中國證券監督管理委員會江蘇監管局) in March 2021, and submitted a tutoring progress report (輔導進展報告) in June 2021.

Meanwhile, our Directors also consider the Stock Exchange, as an internationally recognized and reputable stock exchange, to be an appropriate listing venue to provide us with a good platform to access the international equity market and expand our global business.

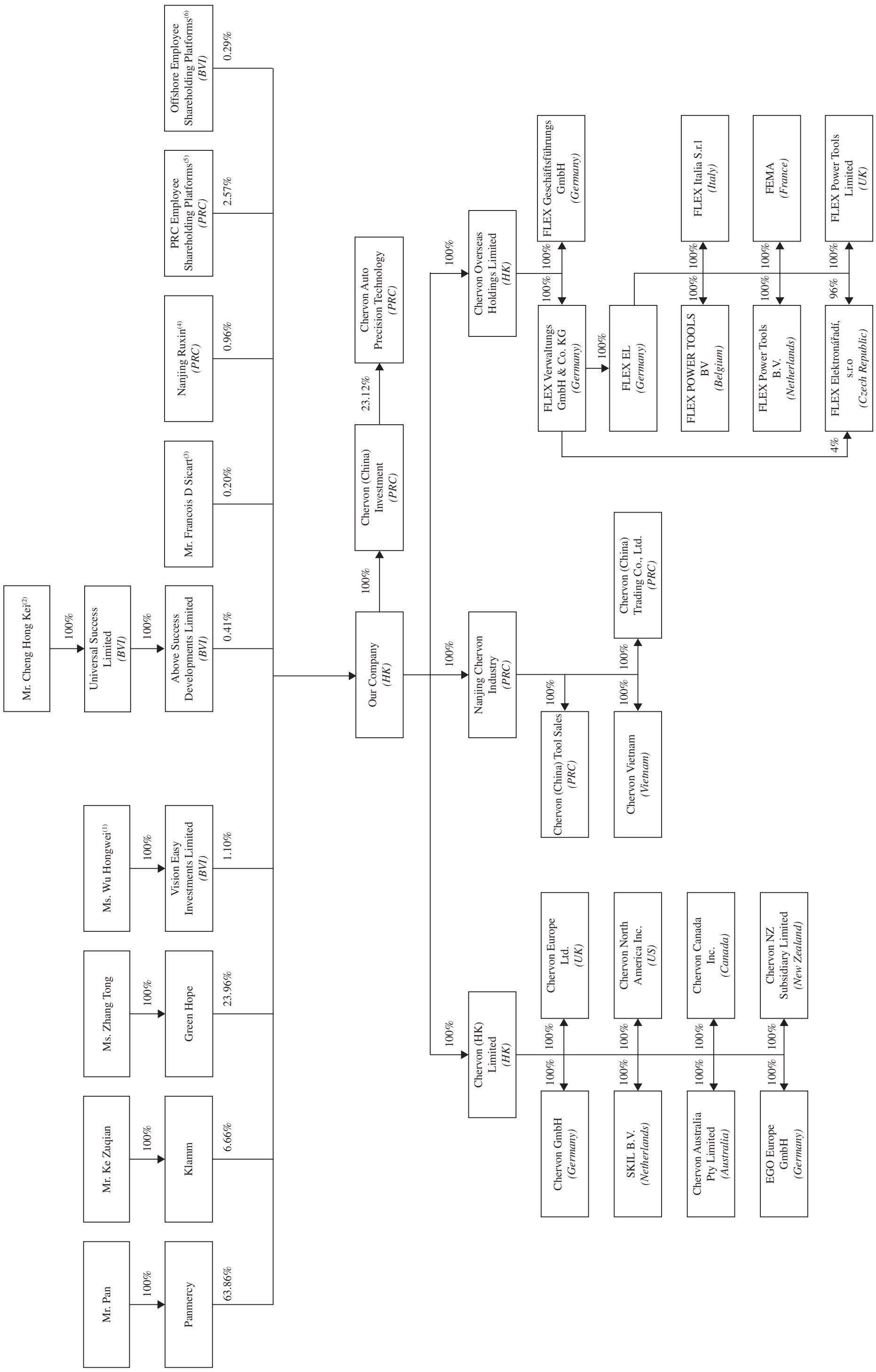
After taking into consideration a number of factors, including timing and other commercial considerations, we decided not to proceed with the PRC Listing Plan at the current stage. On September 27, 2021, the Company voluntarily terminated its preliminary tutoring with China International Capital Corporation Limited and informed the Jiangsu Regulatory Bureau of CSRC. Our Directors believe that the decision not to pursue the PRC Listing Plan was commercially sensible and in the interest of the long-term development of the Company.

As of the Latest Practicable Date, we had not filed any formal listing application in relation to our proposed listing on the SSE STAR Market with the CSRC and had not received any verbal or written comments or inquiries from the Jiangsu Regulatory Bureau of CSRC since our preliminary tutoring filing in March 2021. To the best of our Directors' knowledge and belief, there were no material adverse findings about our Group or other matters relating to the PRC Listing Plan that might potentially affect the suitability of our Group to be listed on the SSE STAR Market. Based on the foregoing and the due diligence conducted by the Joint Sponsors, the Joint Sponsors concur with the Directors' view.

CORPORATE STRUCTURE

Corporate structure before the Global Offering

The following diagram illustrates the corporate structure of our Group immediately after the Reorganization and before completion of the Global Offering:


Mr. Pan
100%
Panmercy
63.86%
Mr. Ke Zuqian
100%
Klamm
6.66%
Ms. Zhang Tong
100%
Green Hope
23.96%
Ms. Wu Hongwei[1]
100%
Vision Easy Investments Limited (BVI)
1.10%
Mr. Cheng Hong Kei[2]
100%
Universal Success Limited (BVI)
100%
Above Success Developments Limited (BVI)
0.41%
Mr. Francois D Sicart[3]
0.20%
Nanjing Ruxin[4] (PRC)
0.96%
PRC Employee Shareholding Platforms[5] (PRC)
2.57%
Offshore Employee Shareholding Platforms[6] (BVI)
0.29%
Our Company (HK)
100%
Chervon (China) Investment (PRC)
23.12%
Chervon Auto Precision Technology (PRC)
100%
Chervon Overseas Holdings Limited (HK)
100%
FLEX Geschäftsführungs GmbH (Germany)
100%
FLEX Verwaltungs GmbH & Co. KG (Germany)
100%
FLEX EL (Germany)
100%
FLEX Italia S.r.l (Italy)
100%
FLEX POWER TOOLS BV (Belgium)
100%
FEMA (France)
100%
FLEX Power Tools B.V. (Netherlands)
100%
FLEX Power Tools Limited (UK)
96%
4%
FLEX Elektronářadí, s.r.o (Czech Republic)
100%
Nanjing Chervon Industry (PRC)
100%
Chervon (China) Tool Sales (PRC)
100%
Chervon (China) Trading Co., Ltd. (PRC)
100%
Chervon Vietnam (Vietnam)
100%
Chervon (HK) Limited (HK)
100%
Chervon Europe Ltd. (UK)
100%
Chervon GmbH (Germany)
100%
Chervon North America Inc. (US)
100%
SKIL B.V. (Netherlands)
100%
Chervon Canada Inc. (Canada)
100%
Chervon Australia Pty Limited (Australia)
100%
Chervon NZ Subsidiary Limited (New Zealand)
100%
EGO Europe GmbH (Germany)

Notes:

(1) Ms. Wu Hongwei is an independent third party who was our then vice president of the European market sales division from July 2003 to June 2021 and was subsequently re-designated as the vice president of business development of the Company since June 2021.

(2) Mr. Cheng Hong Kei is a director of Chervon (HK) Limited, Chervon Global Holdings Limited, Chervon Asset Management Holdings Limited, Chervon Investment Limited and Chervon Capital Management Limited.

(3) Mr. Francois D Sicart is an independent third party.

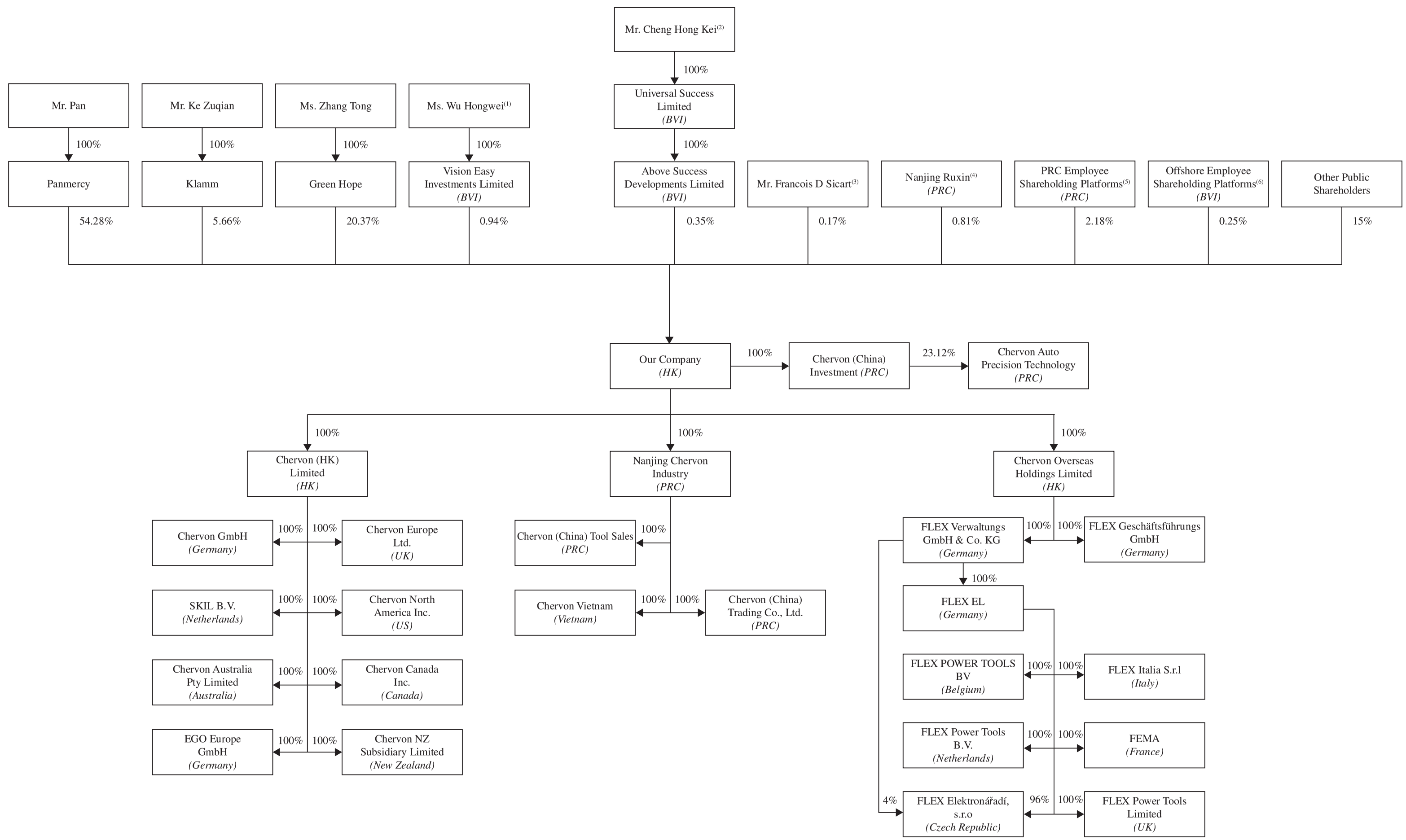
(4) Nanjing Ruxin is a limited partnership whose (i) sole general partner and executive partner is Mr. Xu Ningfeng, our co-founder and an independent third party and (ii) sole limited partner is Ms. Xu Ningyan, his sister and an independent third party.

(5) The purpose of establishing these 10 PRC employee shareholding platforms was to incentivize certain employees of our Group who are PRC residents pursuant to a one-off employee incentive arrangement of our Company. Since the maximum number of holders of these limited partnerships was limited to 50 individuals or entities, 10 shareholding platforms were established to include, as of the Latest Practicable Date, a total of 406 employees as limited partners. Save for Mr. Hu Yian, a director of certain of our subsidiaries, all other limited partners are employees of our Group in the PRC and are independent third parties. Ms. Chen Xiaoyuan (陳曉圓), our representative of securities affairs and an independent third party, is the sole general partner and executive partner of each of these PRC employee shareholding platforms. See " – The Reorganization – Establishment of employee shareholding platforms and issue and allotment of Shares pursuant to an employee incentive arrangement" above and the section headed "Appendix IV – Statutory and General Information – A. Further Information about our Group – 2. Changes in the Share Capital of our Company" in this prospectus for further details. The Shares directly held by Nanjing Ningyi Enterprise Management Partnership (Limited Partnership) (南京寧宜企業管理合夥企業(有限合夥)), one of the PRC employee shareholding platforms holding 3,235,250 Shares as of the Latest Practicable Date, will not be counted towards the public float upon Listing for the purpose of Rule 8.08 of the Listing Rules, as Mr. Hu Yian is interested in 13.60% as a limited partner as of the Latest Practicable Date.

(6) The purpose of establishing these 2 offshore employee shareholding platforms was to hold incentive Shares for, as of the Latest Practicable Date, a total of 13 employees of our Group who are foreign residents pursuant to a one-off employee incentive arrangement of our Company. Ms. Zhang is the sole director of each of the offshore employee shareholding platforms. Save for Ms. Zhang, Mr. Michael John Clancy ("**Mr. Clancy**"), Mr. Peter John Melrose and Dr. Christian Neuner, who held shares in the offshore employee shareholding platforms under the employee incentive arrangement, all other relevant employees are independent third parties. See " – The Reorganization – Establishment of employee shareholding platforms and issue and allotment of Shares pursuant to an employee incentive arrangement" above and the section headed "Appendix IV – Statutory and General Information – A. Further Information about our Group – 2. Changes in the Share Capital of our Company" in this prospectus for further details. The Shares directly held by these 2 offshore employee shareholding platforms will not be counted towards the public float upon Listing for the purpose of Rule 8.08 of the Listing Rules, as Ms. Zhang controls their boards as the sole director, and therefore they are associates of a core connected person of our Company as defined under the Listing Rules.

Corporate structure immediately following the Global Offering

The following diagram illustrates the corporate structure of our Group immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Note:

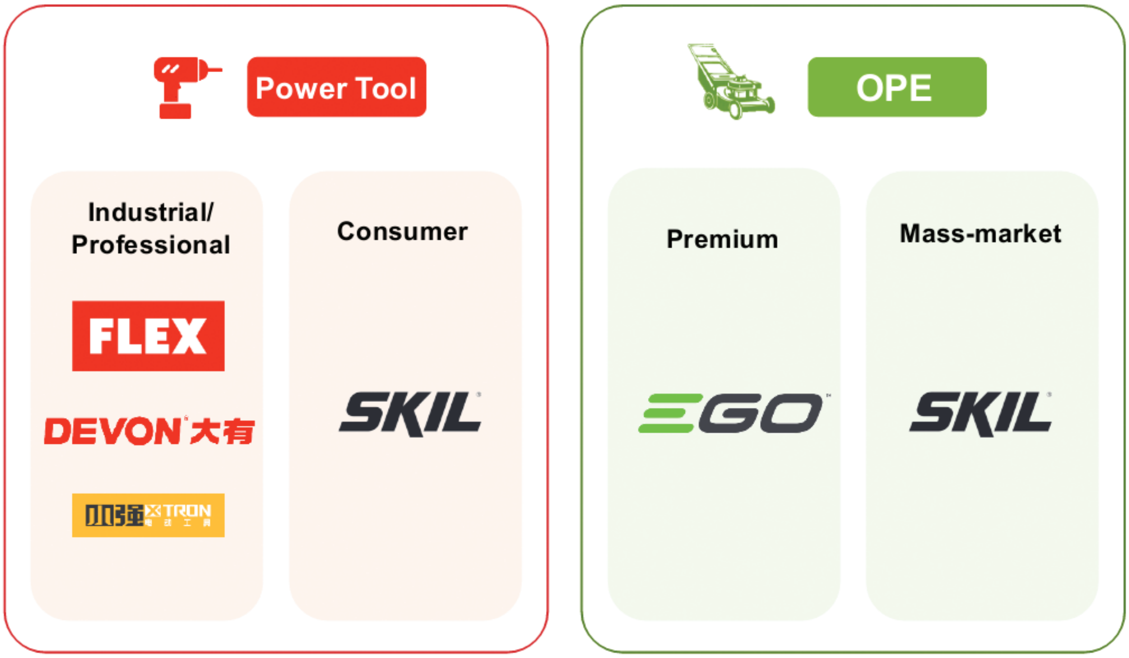
See the preceding page for notes (1) to (6).

WHO WE ARE

We are a global provider of power tools and outdoor power equipment ("**OPE**"). Our focus on innovation, especially lithium-ion battery system technology, has enabled us to achieve significant scale and rapid growth. According to the Frost & Sullivan Report, in 2020, we ranked the 13th and accounted for approximately 1.9% of the combined global power tool and OPE markets by revenue. We also ranked the 9th and accounted for approximately 1.7% of the global power tool market, and ranked the 10th and accounted for approximately 2.1% of the global OPE market, in each case by revenue, according to the same report. In 2020, the global electric power tools market accounted for 74.1% of the global power tools market, and the global electric OPE market accounted for 18.6% of the global OPE market, according to the Frost & Sullivan Report. Our global ranking by revenue for electric power tools rose from the 9th in 2018 to the 7th in 2020, and our global ranking by revenue for electric OPE rose quickly from the 7th in 2018 to the 2nd in 2020, according to the same source. From 2018 to 2020, our revenue from power tools grew by a CAGR of 16.9%, and our revenue from OPE grew by a CAGR of 62.8%.

Our research and development capabilities have enabled us to seize market opportunities amidst a period of growth and rapid transformation within our industry, particularly with respect to the lithium-ion/cordless market segment. Our revenue from the lithium-ion battery powered products grew from US$347.3 million in 2018 to US$827.3 million in 2020, representing a CAGR of 54.3%. According to the Frost & Sullivan Report, end users have shown increasing preference for lithium-ion battery power tools and OPE, due to benefits such as enhanced user experience, cost-efficiency and environmental friendliness, while delivering power and performance that can rival traditional products. According to the Frost & Sullivan Report, from 2020 to 2025, the global cordless power tool market is projected to grow at a CAGR of 9.9% and the global cordless OPE market is projected to grow at a CAGR of 9.0%. Having recognized the transformative impact of lithium-ion batteries and related technologies, we focused on this industry segment and became one of the first businesses in the world to commercialize lithium-ion battery power tools in 2006 and high-voltage OPE products in 2014.

We offer a comprehensive range of products under a portfolio of well-recognized brands, which are tailored to address the diverse needs of our end users around the world. Our power tools target both industrial/professional and consumer end users, and our OPE products target both premium and mass-market end users. We currently own five differentiated and well-recognized brands that cover key geographies and segments, namely *EGO*, *FLEX*, *SKIL*, *DEVON* and *X-TRON*. In particular, our *EGO* brand has gained strong recognition in the global electric OPE market since its establishment in 2013.

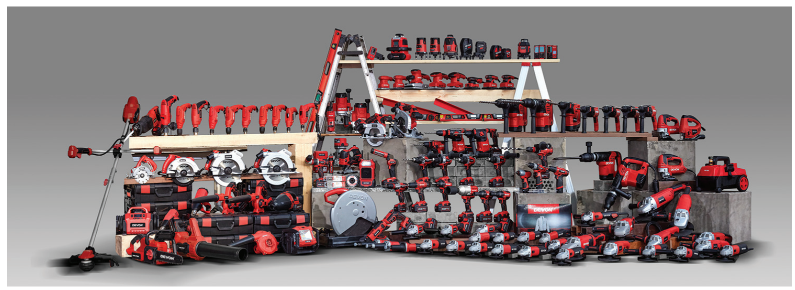


The pictures below illustrate our brands and some of our main products.

Brand	Primary products
EGO No. 3 in the global electric OPE market[1]	
FLEX A premium professional power tool brand for industrial/professional markets with German origin from 1922	

Note:

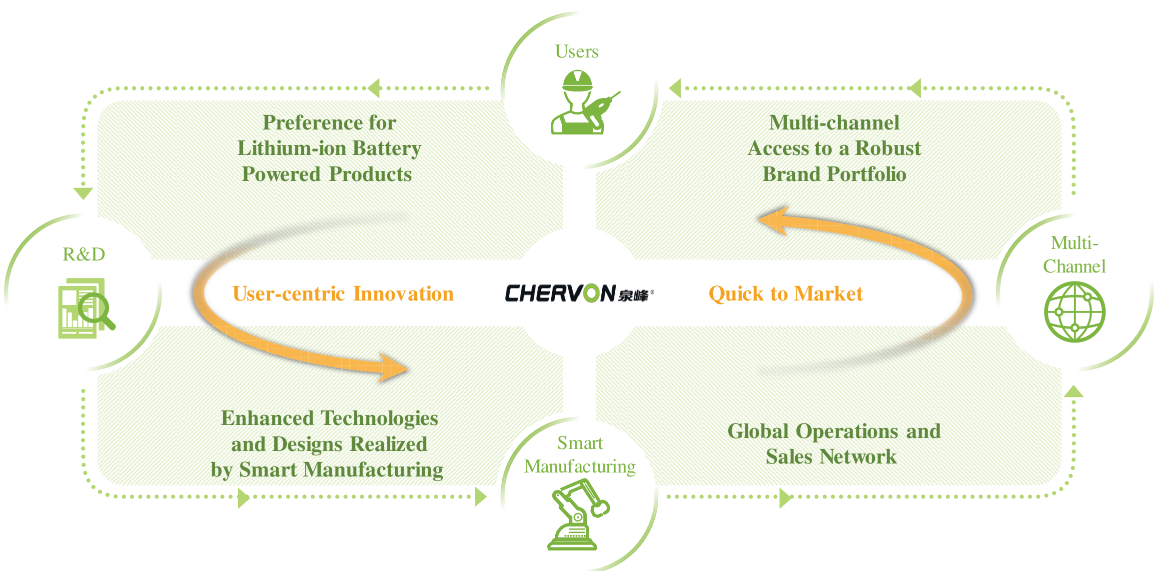
(1) EGO ranks No. 3 in the global electric OPE market by revenue in 2020 according to the Frost & Sullivan Report.

Brand	**Primary products**
SKIL A globally recognized heritage brand from the United States dating back to 1924, now providing a full assortment of power tools and OPE products for global consumer markets	
DEVON大有 A high-end, professional power tool brand designed for greater China and other emerging markets	
小强 XTRON 电动工具 A robust, durable and affordable brand for China market in construction and home improvement applications	

Please refer to the section headed "– Our Proprietary Brands" for further details.

OUR BUSINESS MODEL

We will continue to focus on user-centric innovation and product offerings, which is supported by our integrated system of research and development, manufacturing and sales and distribution capabilities. Our broad end user base for lithium-ion battery powered products enables us to rapidly accumulate industry knowledge, technology know-how and end-user insights. Leveraging such knowledge and insights, we have been able to continuously introduce new products showcasing advanced technology and product design capabilities. We then produce these new, user-centric products in a consistently high-quality manner through our smart manufacturing system and distributing them through our multi-channel sales and distribution network. Our global operations and local market knowledge enable us to expand market shares and meet end user needs in our target markets. Our robust brand portfolio, which resonates with our end users, also helps solidify our market position.



Research and development. Our advanced research and development capabilities enable us to achieve advancement in fundamental technologies such as battery platforms, battery management systems ("**BMS**"), motors and electric controls. We also equip our products with intelligent systems and product-specific technologies such as dust and vibration reduction to enhance user experience. Our research and development efforts are oriented towards end users' needs, which enable us to quickly introduce new products that meet market demands. We undertake multiple rounds of field tests to assess the feasibility of each product before its formal launch. We also subject our products to tests that are designed to ensure consistent quality. Our global research and development team consisted of 680 employees as of June 30, 2021 and are based in our research and development centers across five countries, namely China, the United States, Germany, the United Kingdom and the Netherlands. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our research and development costs amounted to US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million, respectively, representing 4.0%, 3.7%, 3.2%, 3.3% and 3.2% of our total revenue during the same periods. Please refer to the section headed "–Research and Development" for further details.

Multi-channel sales and distribution. We have established, and will continue to expand, a global multi-channel sales and distribution network that offers us effective touchpoints for end users across key markets, including North America, Europe and Asia. We collaborate with leading home centers and mass market retailers, while also partnering with qualified distributors and local retailers to diversify our sales channels and promote brand recognition. Retailers are those that purchase products from us and typically sell them directly to end-users. By contrast, distributors purchase products from us and distribute them to other third parties, which may consist of other retailers or sub-distributors, who then on-sell the products to end-users. During the Track Record Period, our products were sold to customers in more than 100 countries and regions. We have achieved substantial penetration of professional distributor networks for both electric power tools and OPE on a global scale. We have also established online sales channels for our products by collaborating with e-commerce platforms and operating our own e-stores. In addition, we design and manufacture products for certain home centers and mass market retailers, such as *Lowe's*, *Walmart and Kingfisher*, and international tool companies on an ODM basis. Please refer to the section headed "– Sales, Marketing and Distribution" for further details.

Smart manufacturing. We have focused on building competitive advantages by advancing our manufacturing technologies and production management capabilities over the past 20 years. We have made long-term investments in a vertically integrated manufacturing system, which enables us to incorporate new technologies into core product components such as battery packs, motors and electric control circuits. With respect to product assembly, we have focused on promoting the application of industrial engineering and quality control technologies in our assembly lines. Our highly automated, module-based production lines enable us to fulfill high-mix and low-volume orders by quickly switching among different product specifications and customer order requirements. With respect to production management, we have significantly improved the level of automation and transparency in our logistics system by horizontally integrating our information technology systems. Meanwhile, we leverage our integrated supply chain management system to source certain raw materials, parts and components from qualified suppliers in order to maintain high quality standards. Please refer to the section headed "–Production" for further details.

OUR FINANCIAL PERFORMANCE

We have achieved strong revenue growth and improved profitability during the Track Record Period. Our revenue increased at a CAGR of 31.9% from US$690.7 million in 2018 to US$1,200.9 million in 2020, which was significantly higher than the 4.9% for the global power tool and OPE industry over the same period, according to the Frost & Sullivan Report. Our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the six months ended June 30, 2021. Our gross profit increased at a CAGR of 44.9% from US$175.5 million in 2018 to US$368.7 million in 2020. In addition, our gross profit increased by 70.0% from US$147.7 million for the six months ended June 30, 2020 to US$251.1 million for the six months ended June 30, 2021. We recorded loss of US$13.5 million for 2018 and profit of US$36.1 million and US$48.4 million for 2019 and 2020, respectively. In addition, our profit increased significantly from US$20.5 million for the six months ended June 30, 2020 to US$91.2 million for the six months ended June 30, 2021. Our adjusted net loss (non-HKFRSs measure) was US$13.5 million for 2018, and our adjusted net profit (non-HKFRSs measure) was US$36.1 million, US$69.7 million, US$20.5 million and US$93.4 million in 2019 and 2020 and the six months ended June 30, 2020 and 2021. See "Financial Information – Non-HKFRSs Measures."

OUR STRENGTHS

We believe the following competitive strengths have been key factors for our success to date and will enable us to maintain our global market position and capture the expected future growth across our target markets:

Leveraging industry transformations, we are a fast-growing provider of power tools and OPE products.

We are a global provider of power tools and OPE. Our focus on innovation, particularly lithium-ion battery system technology, has enabled us to achieve significant scale and rapid growth. According to the Frost & Sullivan Report, in 2020, we ranked the 13th and accounted for approximately 1.9% of the combined global power tool and OPE markets by revenue. We also ranked the 9th and accounted for approximately 1.7% of the global power tool market, and ranked the 10th and accounted for approximately 2.1% of the global OPE market, in each case by revenue, according to the same report. In 2020, the global electric power tools market accounted for 74.1% of the global power tools market, and the global electric OPE market accounted for 18.6% of the global OPE market, according to the Frost & Sullivan Report. Our global ranking by revenue for electric power tools rose from the 9th in 2018 to the 7th in 2020, and our global ranking by revenue for electric OPE rose quickly from the 7th in 2018 to the 2nd in 2020, according to the same source. From 2018 to 2020, our revenue from power tools grew by a CAGR of 16.9%, and our revenue from OPE grew by a CAGR of 62.8%.

Our management team believes that lithium-ion battery technologies represent the future of the global electric power tool and OPE industry, and we have focused on leveraging such industry transformations: we were one of the first businesses to apply lithium-ion battery technology to power tools and to develop industry-leading, high-voltage OPE products. Our ability to lead and innovate has enabled us to seize the growth opportunities afforded by technological advancement and continuously increase our market share.

We have expanded our market shares in rapidly expanding segments of the global power tools and OPE markets. According to the Frost & Sullivan Report, our share of the global electric power tool market increased from 1.8% in 2018 to 2.3% in 2020, and our share of the global electric OPE market grew from 5.0% in 2018 to 11.4% in 2020. From 2020 to 2025, the global cordless power tool market is projected to grow at a CAGR of 9.9%, and the global cordless OPE market is projected to grow at a CAGR of 9.0%, according to the same source.

We have continuously introduced new products that are grounded in advanced technology and end-user insights.

We focus on developing new products in-house and driving industry transformations. According to the Frost & Sullivan Report, end users have shown an increasing preference for lithium-ion battery power tools, which generally provide for exceptional easy-to-use experience, convenience and long run time in different work environments. Similarly, end users have demonstrated growing demands for lithium-ion battery OPE products, which are environmentally friendly and typically deliver better user experience than traditional gasoline-engine products by generating less noise and vibration and offering greater convenience. Lithium-ion battery OPE products can also offer greater cost efficiency because battery platforms can be made compatible across different product types under the same brand and they do not require regular maintenance expected for traditional gasoline-engine products. Advancement in lithium-ion battery technologies also enables lithium-ion battery powered OPE products to provide power, performance and run time that rival traditional gasoline-engine products.

Having recognized the tremendous potential of lithium-ion battery technologies, we started the relevant research and development efforts in 2005. In 2006, we became one of the first companies in the world to commercialize a lithium-ion battery power tool. In 2014, we also led the application of high-voltage lithium-ion battery technologies to OPE products under our *EGO* brand. Leveraging our research and development capabilities, we have continuously upgraded our product portfolio. For example, we have brought to market our riding mowers in 2021, which are equipped with brushless motor technology and powered by removable platform-compatible *EGO* lithium-ion batteries, which is one of the first of its kind to apply across riding mowers, walk-behind mowers and handheld OPE products. Our new riding mower product delivers the power and performance equivalent to a gasoline engine, which has led to the same level of breakthrough disruptions to the riding mower category as *EGO*'s initial launch did to the OPE industry. We are also currently developing, among other things, new technologies in BMS to further enhance the safety and longevity of our products. Besides lithium-ion battery platforms, we also devote significant resources to research and development of IoT, sensor and AI technologies to improve user experience and create premium product offerings.

Our global research and development team possesses advanced product development capabilities and has enabled us to acquire substantial intellectual property resources. As of June 30, 2021, we had more than 1630 patents globally that cover core technologies relating to our products, such as BMS and electric motors. As of June 30, 2021, we had 680 employees in our research and development centers across five countries, namely China, the United States, Germany, the United Kingdom and the Netherlands, which provide for strong product development capabilities. We have built a global system of industrial design by integrating our Nanjing-based research and development center and industrial design teams based in Germany, the United Kingdom and the United States, which are staffed by professional designers with knowledge of the local consumer markets. Furthermore, we leverage our massive network of sales, distribution and after-sales services channels to develop insights into the needs and preferences of end-users across our key geographic markets, future trends in the electric power tool and OPE markets, as well as overall patterns of consumer behavior.

We incurred US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million of research and development costs for the years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2020 and 2021, respectively. During the Track Record Period, we introduced 751 new products, and lithium-ion battery powered products accounted for 65.2% of the total new products. During the Track Record Period, we developed approximately 860 products, 495 or 57.6% of which are lithium-ion battery powered.

We have a well-recognized brand portfolio, particularly our *EGO* brand.

We have built a portfolio of well-recognized brands through both self-creation and strategic acquisitions. We have achieved rapid growth in large part through our five well-recognized and differentiated brands that comprehensively cover industrial/professional and consumer power tools and premium and mass-market OPE products.

Supported by our end-user insights, advanced technologies and global sales and distribution network, our proprietary brands have gained strong recognition in their respective markets and contributed significantly to our revenue growth. We tailor our proprietary brands and the relevant product offerings based on the varying needs, preferences and cost considerations of industrial/professional and consumer users for power tools, as well as premium and mass-market users for OPE products, across our key markets. For example, our *EGO* brand primarily targets premium and commercial end users for OPE products in North America, Europe and Asia Pacific markets, while our *DEVON* brand primarily targets professional end users for power tools in Asia and other emerging markets. Revenue from our proprietary brands grew from US$431.8 million in 2018 to US$746.3 million in 2020, representing a CAGR of 31.5%. Revenue from our proprietary brands accounted for 62.1% of our total revenue in 2020.

Our *EGO* brand has gained strong recognition since its establishment in 2013, which has enabled us to rise rapidly in the global electric OPE market. According to the Frost & Sullivan Report, *EGO* ranked No. 3 among the top global electric OPE brands by revenue in 2020. Under the *EGO* brand, we transformed the OPE industry by successfully commercializing a range of lithium-ion battery OPE products, such as our walk-behind mowers, leaf blowers, chain saws and riding mowers, that rival traditional products in terms of power and performance. Our *EGO* products also share our proprietary Arc-Lithium™ battery and charger system, which provides convenience and cost-savings for end-users. *EGO* has delivered successful sales results in global OPE markets, particularly North America. Revenue from *EGO* products grew at a CAGR of 61.8% from US$175.3 million in 2018 to US$459.1 million in 2020.

Our *FLEX* brand primarily features high-end power tools for industrial/professional end users in Europe, North America and Asia Pacific regions. Founded in Germany in 1922, our *FLEX* brand has achieved high recognition primarily in the professional tool market, and is supported by Made-In-Germany manufacturing, as well as substantial knowledge and experience in product development. As the inventor of the world's first high speed angle grinder with a flexible shaft, *FLEX* is often used synonymously with angle grinders in the German language. Since our acquisition of *FLEX* in 2013, we have devoted substantial resources to increasing brand recognition, expanding sales channels and enriching the product assortment by introducing the *FLEX* lithium-ion battery platform, which combines intelligent battery management with THERMA-TECH™ cooling technology. Such efforts have enabled us to solidify *FLEX*'s position as one of the premium brands in the professional tool market on a global scale.

Our *SKIL* brand primarily features quality power tools and recently entered into the OPE segment for consumer end users in North America, Europe and Asia Pacific. With its origin in the United States in 1924, *SKIL* is the inventor of the first portable electric circular saw and a well-recognized brand name in the global power tool industry. *SKIL*-branded products include tools that run on a wide range of battery platforms, including 12V, 20V, and 40V, totalling 201 products, which are tailored to different end users and work environments. According to Research Now SSI, consumer brand awareness for the *SKIL* power tools was 87% in the U.S. power tool market in 2018. Since our acquisition of *SKIL* in 2017, we have continued to broaden sales channels and product offerings and invest in marketing initiatives for the brand.

Our *DEVON* (大有) brand is designed for industrial/professional high-end users primarily in the Greater China market and other emerging markets. Self-created and launched in 2007 as our first original brand, *DEVON* features six major power tool product lines that are widely used in fields such as manufacturing, automobile maintenance and decoration.

We have established a highly effective multi-channel sales and distribution network with a growing emphasis on e-commerce channels.

Our products are prominently featured and well recognized across sales channels that are familiar to our industrial/professional and consumer end users. We have built an multi-channel sales and distribution network that involves close collaboration with a diverse group of business partners, including retailers and distributors, among others, around the world. Retailers are those that purchase products from us and typically sell them directly to end-users. By contrast, distributors purchase products from us and distribute them to other third parties, which may consist of other retailers or sub-distributors, who then on-sell the products to end-users. We strategically develop and optimize our sales and distribution network on a region-by-region basis and tailor our approach based on local market needs and business norms. For example, in North America, we sell our products primarily through leading national retailers including home centers and mass-market retailers, while in China, we sell our products primarily through a large and growing network of high-quality distributors. We have also formed dedicated sales and marketing teams in key global markets such as North America, Europe, China and Australia, which enable us to strengthen our relationships with local business partners and gather valuable insights into each market. As of June 30, 2021, our products were sold to customers in more than 100 countries and regions.

We have achieved substantial penetration of professional distributor networks for both electric power tools and OPE on a global scale. We collaborate with leading home centers, mass market retailers and distributors in our key markets. For example, our electric power tools and OPE under the *EGO*, *SKIL*, and *FLEX* brands are currently available across *Lowe's*, a Fortune 500 home improvement company that serves approximately 20 million customers a week in the United States and Canada. In addition, we collaborate with leading home centers such as *Kingfisher* in Europe, as well as *Walmart*, a leading mass-market retailer in the United States.

We have also established online sales channels for our products by collaborating with major e-commerce platforms such as *Amazon.com*, *Tmall* and *JD.com*, including through self-operated e-stores. Our revenue from pure-play e-commerce channels grew by a CAGR of 59.1% from 2018 to 2020, which we believe showed the strengths of our portfolio of proprietary brands and the importance of e-commerce platforms. We expect our revenue from pure-play e-commerce sales channels will account for a higher percentage of our total revenue.

Leveraging advanced software systems, we gather valuable market information through our sales and distribution channels in real time to capitalize on the rapidly evolving markets. We record, track and maintain our customer and end-user relationships by implementing a cloud-based Customer Relationship Management ("**CRM**") system, which not only enables us to improve operational efficiency and inventory turnover but also offers us first-hand data on market demand. The large volume of end-user feedback accumulated through our sales channels can in turn help us upgrade and optimize our products based on insights into the needs and preferences of our end users.

We have a global team with strategic vision and deep expertise.

We are guided by a founder-led management team with the ability to navigate our Company through the constantly evolving market environment. Our senior management team consists of industry experts with an average of over 20 years of industry experience and firm commitment to our company culture of "Integrity, Diligence, Enthusiasm and Aspiration." Mr. Pan, our co-founder and chief executive officer, has over 30 years of experience in the power tool and OPE industry, and he has spearheaded our strategic direction and growth amidst rapid industry transformations. Ms. Zhang, our co-founder and executive vice president, brings industry insights and business acumen accumulated through 23 years of leadership experience in our global sales and marketing operations, particularly in overseeing our significant growth in the North America market in the last decade. Mr. Ke Zuqian, our co-founder and executive vice president, leads our efforts in improving our production systems, supported by his qualifications and experience in the field of industrial automation.

We attribute our success to an open-minded, diversified and globalized management team, which consists of individuals from China, North America, Europe, Australia and Japan, who collectively bring substantial talent and capabilities in research and development, sales and marketing, manufacturing, supply chain management, as well as knowledge of our key local markets.

We believe our senior management team, with their innovative mindset, industry insights and strategic vision, will be able to effectively guide our strategic directions in a rapidly evolving market environment, lead our teams in developing new products that meet customer needs and strengthen our position in the global power tool and OPE industries. For more details, please refer to the section headed "Directors and Senior Management" in this prospectus.

OUR STRATEGIES

We are committed to driving sustainable long-term growth and strengthening our market position in electric power tool and OPE products through the following strategies:

Develop and commercialize new products that combine advanced technologies with user-friendly designs

We have expanded our market share by offering electric power tools and OPE products that enable our end users to work more efficiently, safely and comfortably for longer periods of time. We will continue to develop and upgrade our comprehensive product portfolio that combines advanced technologies with user-friendly designs, which will be informed by our insights into the diverse needs of our industrial/professional and consumer end users for power tools, as well as premium and mass-market end users for OPE products. We aim to maintain our technological edge by leveraging our market-driven, nimble system of product development and industrial design. Furthermore, we will continue to expand into compatible and high-potential product categories in order to access an even larger market share, just like our recent success in breaking into the riding mower segment.

We will continue implementing our product strategy that focuses on lithium-ion battery and smart power tools and OPE, which we believe represent the future of our industry. We strive to continuously improve the performance of our products, such as by further increasing the power and longevity of our battery platforms and further reducing weight and noise levels of our electric power tools. We will also seek to make our battery platforms compatible across a wider range of electric power tools and OPE products, which we believe will promote end user loyalty to our product families. In addition, we will continue to invest in technologies such as advanced BMS, high-power vector electric control, intelligent parameter identification, and robotic and AI technologies. We will also develop and offer IoT-enabled products to improve user convenience. We believe these efforts will enable us to capture market opportunities and strengthen our position in the global electric power tool and OPE industry. For further details regarding our use of proceeds from the Global Offering for research and development of our products, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

Expand our sales and distribution network globally with a growing emphasis on e-commerce platforms

We have built a global sales and distribution network with substantial penetration in our key markets. We will continue to expand and optimize our sales and distribution network by implementing tailored strategies for each market. In North America and Europe, we will (i) maintain and strengthen our strategic relationships with national retailers, such as large home centers and mass market retailers, as well as established distributors with significant experience in local markets and (ii) increase our penetration of online channels through partnerships with large e-commerce platforms such as *Amazon.com*. In China, we will continue to grow our distributor network and also broaden our reach to a large and internet-savvy population of end users by expanding our e-commerce channels, including through cooperation with *Tmall* and *JD.com*. Global revenue attributable to pure-play e-commerce channels for the global electric power tool and OPE industry is expected to grow at a CAGR of 15.1% and 10.2% from 2020 to 2025, respectively, according to the Frost & Sullivan Report. We plan to collaborate with more e-commerce platforms in our key markets. We will also selectively enter into new markets where we identify opportunities that can support our growth and profitability. For further details regarding our use of proceeds from the Global Offering for enhancing our sales and distribution channels, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

Further enhance market recognition of our brands

We currently own five differentiated and well-recognized brands that cover key geographies and segments. We aim to further strengthen our brand recognition and grow the respective market share of our brands. We plan to promote our brands through social media and enhance our presence on e-commerce platforms. We will focus on solidifying the leadership position of our *EGO* brand in the global high-end OPE market segment. We also strive to enhance recognition for our power tool brands, namely *FLEX*, *SKIL*, *DEVON* and *X-TRON*, in their respective markets. For example, our *FLEX* brand started to be a jersey sponsor of the Los Angeles Football Club in 2021, which coincided with the mainstream professional market launch of our *FLEX* products in North America. We will continue to develop and rapidly promote consumer awareness of our proprietary brands, thus increasing market share in their respective target markets. For further details regarding our use of proceeds from the Global Offering for promoting our brands, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

Continue to expand production capacities and improve operational efficiency

We have built advanced manufacturing operations, and we will continue to expand our production capacities to capitalize on the growing demands of our products as well as to strengthen our industry position. In particular, we plan to establish two new production facilities in China with a combined additional annual production capacity of 22.4 million units by 2024, while implementing technological upgrades for existing production facilities and production management systems. We expect our expanded production capacities will enable us to benefit from enhanced economies of scale. Please refer to "– Production Expansion Plan" and "Future Plans and Use of Proceeds" below for further details. In expanding our production capacities, we will consistently apply our standardized *CHERVON* production system, module-based automated production lines and smart production IT systems, which will enable us to integrate our end-to-end production processes. Meanwhile, we are exploring opportunities for building new or expanding existing production facilities in Europe, North America, Southeast Asia and other regions, which we believe will provide us with diversified manufacturing capabilities.

We strive to continuously improve the efficiency and flexibility of our production system. We aim to enhance our profitability by continuously reducing our reliance on manual labor in the production process and quality control through automation and digitalization, while enhancing the quality of our products. We will continue to collaborate with leading research institutions to develop strategies to improve our operational efficiency. In particular, we will continuously optimize our module-based production process and enhance the versatility of our production lines. Furthermore, we will continue to upgrade and integrate our software systems, such as Manufacturing Execution System ("**MES**"), Supplier Relationship Management ("**SRM**") and Warehouse Management System ("**WMS**"), to further improve our abilities to plan for, monitor, control and optimize the end-to-end production process.

Invest in human capital to enhance marketing and research and development

We are committed to hiring, retaining and promoting top talents across our global teams. Our key areas of focus include research and development, product management, manufacturing, sales and marketing, as well as quality management, in order to support our growth strategies. In particular, we will recruit more talents in AI and IoT areas given their potential to significantly enhance our product portfolio and end user experiences. We will also further strengthen the sales and marketing teams in our key markets to build stronger connections with distribution channels and our end users. For further details regarding our use of proceeds from the Global Offering for hiring additional sales and marketing staff, please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus.

From an organizational perspective, we will continue to optimize our global talent management system, which mainly consists of well-defined roles and responsibilities, performance evaluation, as well as professional development and training. We believe our global talent management system will enable us to attract, develop, incentivize and retain a strong workforce that will support our sustained growth and success.

OUR PRODUCTS

We design, develop and manufacture a wide range of (i) power tools for industrial/professional and consumer end users and (ii) OPE products for premium and mass market end users. Between January 1, 2008 and June 30, 2021, we developed approximately 1,666 products. During the Track Record Period, we introduced 751 new products, and lithium-ion battery powered products accounted for 65.2% of the total new products.

Main Product Categories

By use case, we divide our products primarily into (i) power tools for industrial/professional and consumer end users and (ii) OPE products for premium and mass market segments, as illustrated in the table below.

Main category	Sub-category by use case	Characteristics
Power tools	Industrial/professional	Meet high expectations for power, performance, run time and durability. Use cases primarily include manufacturing, construction, shipbuilding, home decoration, and wood and metal processing.
	Consumer	Also known as "Do-It-Yourself" power tools; address medium expectations for power, precision and run time. Use cases primarily include home decoration and maintenance.
OPE	Premium	Designed for both commercial and high-end end users with the need to maintain or clean larger public areas, homes or yards.
	Mass market	Designed for mass market end users with moderately sized homes or yards.

Power Tools

Based on functionality, our power tool products primarily include (i) cutting tools, such as circular saws, reciprocating saws and tile saws, (ii) fixing tools, such as hammer drills and impact wrenches and (iii) surface treatment tools, such as angle grinders and sanders. The following table shows our main power tool products as of June 30, 2021.

Product sub-category by functionality — **Primary products**

Cutting tools


Circular saws


Reciprocating saws


Jig saws


Tile saws

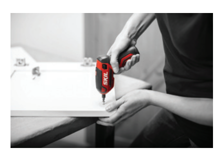
Miter saws

Fixing tools

Hammer drills


Impact wrenches


Rotary hammers


Screwdrivers

Surface treatment tools


Angle grinders


Sanders


Polishers

Based on use case, we offer power tool products primarily for (i) industrial/professional users in industries such as manufacturing, construction, shipbuilding, home decoration, and wood and metal processing and (ii) do-it-yourself consumer users in areas such as home maintenance, decoration and cleaning. We offer professional power tool products (i) on an OBM basis under our proprietary brands, namely *FLEX*, *DEVON* (大有) and *X-TRON* (小強) and (ii) on an ODM basis for international tool companies. We also provide a wide range of power tool products for consumer end users to meet their household needs. We offer consumer power tool products (i) primarily under our proprietary brands, namely *SKIL*, and (ii) on an ODM basis for national retailers such as *Lowe's* and *Kingfisher*.

Based on power source, our power tool products include (i) alternating current ("**AC**"), or traditional corded tools, and (ii) direct current ("**DC**"), or cordless tools powered by lithium-ion batteries.

Between January 1, 2008 and June 30, 2021, we developed approximately 1,445 power tool products. During the Track Record Period, we developed a total of 628 new power tool products.

The following table provides recommended retail price ranges in the United States, our largest geographic market by revenue in 2020, of our power tool products as of June 30, 2021.

Product sub-category by functionality	**Primary products**	**Recommended retail price ranges in the United States as of June 30, 2021**
		(US$ per unit)
Cutting tools	Circular saws	39 – 299
	Reciprocating saws	49 – 249
	Jig saws	35 – 199
	Tile saws	89 – 139
	Miter saws	249 – 649
Fixing tools	Hammer drills	39 – 249
	Impact drivers/ wrenches	79 – 299
	Rotary hammers	109 – 299
	Screwdrivers	24 – 159
Surface treatment tools	Angle grinders	29 – 249
	Sanders	24 – 139
	Polishers	129 – 649

Outdoor Power Equipment

Our OPE products primarily include (i) ride-on outdoor equipment, such as riding mowers, (ii) walk-behind wheeled outdoor equipment, such as walk-behind mowers and snow blowers, and (iii) handheld outdoor tools, such as leaf blowers, string trimmers, hedge trimmers and chain saws. The following table shows our primary OPE products as of June 30, 2021.

Product sub-category by functionality	Primary products	
Ride-on outdoor equipment	 Riding mowers	
Walk-behind wheeled outdoor equipment	 Walk-behind mowers	 Snow blowers
Handheld outdoor tools	 Leaf blowers	 String trimmers
	 Hedge trimmers	 Chain saws

Between January 1, 2008 and June 30, 2021, we developed approximately 221 OPE products, including 179 OPE products that operate on lithium-ion battery platforms. During the Track Record Period, excluding batteries, chargers and accessories, we developed a total of 123 new OPE products, including 117 new OPE products that operate on lithium-ion battery platforms. The following table provides recommended retail price ranges in the United States, our largest geographic market by revenue in 2020, of our OPE products as of June 30, 2021.

Product Sub-category by functionality	Primary products	Recommended retail price ranges in the United States as of June 30, 2021
		(US$ per unit)
Ride-on outdoor equipment	Riding mowers	4,999 – 7,999
Walk-behind wheeled outdoor equipment	Walk-behind mowers	349 – 749
	Snow blowers	399 – 1,499
Handheld outdoor tools	Leaf blowers	119 – 399
	String trimmers	129 – 369
	Hedge trimmers	99 – 299
	Chain saws	199 – 349

We offer OPE products primarily under the *EGO* and *SKIL* brands, which target premium and mass-market consumer segments, respectively. We also manufacture OPE tools for retail brands, such as *Lowe's*, on an ODM basis.

Business Mix

We offer our products under both OBM and ODM models. Under the OBM model, we design, develop, manufacture and sell our products primarily to retailers, distributors and e-commerce platforms under our proprietary brands. Under the ODM model, we strategically enter into manufacturing contracts with certain home centers and mass market retailers, such as *Lowe's*, and international tool companies on a selective basis. Under the ODM model, we design, develop and manufacture products based on general product descriptions provided by the relevant business partners, and the products bear trademarks of such business partners. We generally retain the intellectual property rights to the products we produce in such cases. After purchasing the products from us, the business partners sell the products to consumers through their own sales and distribution networks. We believe our ODM business is complementary with our OBM business as it allows us to more effectively increase our sales and shares in specific markets and/or to enhance our partnerships with selected customers. Through such partnerships, we can better expand our business, achieve economies of scale and reduce costs due to the increased customer and end-user demands. Where appropriate and consistent with contractual obligations, we and our ODM customers are also able to share industry know-hows (in the case of large industrial-oriented ODM customers) and consumer end-user insights (in the case of large consumer-oriented ODM customers) that bring mutual benefits to our respective businesses. The brand image, positioning and target end-users between our proprietary brands and our customers' brands are generally different, which allows our collaborations with customers to cover wider variety of end users. For example, our *EGO*-branded products primarily target the premium OPE segment, while the ODM products that we supply to large customers primarily target the mass-market OPE segment. Furthermore, our *SKIL* brand differentiates from the ODM products that we supply to large customers primarily through brand positioning and price ranges. In particular, our *SKIL* brand is primarily positioned at the mid-end price level in the consumer or mass market segment, while the ODM products that we supply to large customers are primarily positioned at the mid-to-high end price level in the consumer or mass market segment. For further details, please refer to "– Sales, Marketing and Distribution – Sales of Products for Our ODM Business" below.

Revenue Breakdown

By Product Category and Sub-category

The following table sets forth our revenue breakdown by product category and sub-category in an absolute amount and as a percentage of our total revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools	**483,370**	**70.0**	**549,680**	**65.2**	**661,081**	**55.1**	**278,887**	**54.2**	**451,066**	**51.9**
Cutting tools	163,057	23.6	156,702	18.6	241,094	20.1	104,291	20.3	161,723	18.6
Fixing tools	145,744	21.1	194,271	23.0	157,754	13.2	61,350	11.9	118,773	13.7
Surface treatment tools	60,677	8.8	70,355	8.3	114,585	9.5	50,736	9.9	78,174	9.0
Other power tools[(1)]	113,892	16.5	128,352	15.3	147,648	12.3	62,510	12.1	92,396	10.6
Outdoor Power Equipment	**201,410**	**29.1**	**287,971**	**34.1**	**533,691**	**44.4**	**231,451**	**45.0**	**414,041**	**47.7**
Ride-on outdoor equipment	–	–	–	–	–	–	–	–	2,361	0.3
Walk-behind wheeled outdoor Equipment	70,408	10.1	96,932	11.5	187,244	15.5	95,780	18.6	166,571	19.2
Handheld outdoor tools	115,285	16.7	162,914	19.3	298,673	24.9	116,861	22.7	187,072	21.5
Other OPE[(2)]	15,717	2.3	28,125	3.3	47,774	4.0	18,810	3.7	58,037	6.7
Others[(3)]	**5,918**	**0.9**	**5,927**	**0.7**	**6,130**	**0.5**	**4,021**	**0.8**	**3,690**	**0.4**
Total	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

Notes:

(1) Primarily include batteries and accessories, and other non-core categories such as laser measuring tools, heating clothing, radios, among others.

(2) Primarily include batteries and accessories for OPE products.

(3) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business. Revenue from such sales is categorized separately due to the difference in the nature of products sold, which are generally not categorized as power tools or OPE.

By Product Category and End-user Segment

The following table sets forth our revenue breakdown by product category and end-user segment in an absolute amount and as a percentage of our total revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools[1]	483,370	70.0	549,680	65.2	661,081	55.1	278,887	54.2	451,066	51.9
Industrial/ professional	210,863	30.5	240,939	28.6	235,644	19.6	120,481	23.4	211,678	24.3
Consumer	272,507	39.5	308,741	36.6	425,437	35.5	158,406	30.8	239,388	27.6
OPE[1]	201,410	29.1	287,971	34.1	533,691	44.4	231,451	45.0	414,041	47.7
Premium	175,700	25.4	216,361	25.6	459,133	38.2	209,260	40.7	341,572	39.3
Mass-market	25,710	3.7	71,610	8.5	74,558	6.2	22,191	4.3	72,469	8.4
Others[2]	5,918	0.9	5,927	0.7	6,130	0.5	4,021	0.8	3,690	0.4
Total revenue	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

Notes:

(1) Power Tools and OPE revenue includes tools, batteries and accessories in the respective category.

(2) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business.

By OBM and ODM

The following table sets forth our revenue breakdown by OBM and ODM businesses in an absolute amount and as a percentage of our total revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
OBM	431,838	62.5	465,144	55.2	746,313	62.1	336,259	65.4	591,146	68.0
EGO	175,330	25.3	216,360	25.7	459,126	38.1	209,260	40.8	341,420	39.3
FLEX	91,780	13.3	91,622	10.9	99,396	8.3	45,694	8.9	102,818	11.8
SKIL	127,749	18.5	115,272	13.7	138,892	11.6	52,615	10.2	98,175	11.3
DEVON	30,247	4.4	35,733	4.2	41,447	3.5	24,341	4.7	41,705	4.8
X-TRON	6,732	1.0	6,157	0.7	7,452	0.6	4,349	0.8	7,028	0.8
ODM	258,860	37.5	378,434	44.8	454,589	37.9	178,100	34.6	277,651	32.0
Total revenue	690,698	100.0	843,578	100.0	1,200,902	100.0	514,359	100.0	868,797	100.0

Please refer to the section headed "Financial Information" of this prospectus for additional details.

By Power Source

The following table sets forth our revenue breakdown by power sources in an absolute amount and as a percentage of our total revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools[1]	483,370	70.0	549,680	65.2	661,081	55.1	278,887	54.2	451,066	51.9
AC	336,307	48.7	302,095	35.8	370,093	30.8	165,227	32.1	231,084	26.6
DC	147,063	21.3	247,585	29.4	290,988	24.3	113,660	22.1	219,982	25.3
OPE[1]	201,410	29.1	287,971	34.1	533,691	44.4	231,451	45.0	414,041	47.7
AC[2]	1,112	0.1	–	–	–	–	–	–	–	–
DC	200,298	29.0	287,971	34.1	533,691	44.4	231,451	45.0	414,041	47.7
Others[3]	5,918	0.9	5,927	0.7	6,130	0.5	4,021	0.8	3,690	0.4
Total	690,698	100.0	843,578	100.0	1,200,902	100.0	514,359	100.0	868,797	100.0

Notes:

(1) Power Tools and OPE revenue includes tools, batteries and accessories in the respective category.

(2) We ceased producing and selling AC OPE due to our strategic focus on DC OPE products. Please refer to the section headed "– Our Strengths" for additional details.

(3) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business.

By Sales and Distribution Channels

The following table sets forth our revenue breakdown by sales and distribution channels in an absolute amount and as percentage of our revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
Retailers	326,756	47.3	357,330	42.4	599,789	49.9	269,372	52.4	433,223	49.9
Distributors	85,127	12.3	84,519	10.0	95,991	8.0	53,470	10.4	116,633	13.4
Pure-play e-commerce channels	19,955	2.9	23,295	2.8	50,533	4.2	13,417	2.6	41,290	4.7
Total for OBM business	431,838	62.5	465,144	55.2	746,313	62.1	336,259	65.4	591,146	68.0

OUR PROPRIETARY BRANDS

We have established a portfolio of differentiated brands to cover a wide range of geographies and market segments, which helps us meet the diversified needs of customers and end users around the world, adjust to changing market conditions and support our revenue growth. As of June 30, 2021, our proprietary brands for power tool and OPE products primarily included *EGO*, *FLEX*, *SKIL*, *DEVON* (大有) and *X-TRON* (小強).

Brand	Brand Position	Main Product Categories	Target End Users	Geographic Focus	Recommended Retail Price Ranges
EGO	No. 3 in the global electric OPE market[1]	OPE	Commercial/ premium end users	North America, Europe and Asia Pacific	US$100-7,999
FLEX	A premium professional power tool brand for industrial/professional markets with German origin from 1922	Power tools	Professional end users	Europe, North America and Asia Pacific	US$50-1,050
SKIL	A globally recognized heritage brand from the United States dating back to 1924, now providing a full assortment of power tools and OPE products for global consumer markets	Power tools and OPE	Professional builders and consumer end users	North America, Europe and Asia Pacific	US$20-450
DEVON 大有	A high-end, professional power tool brand designed for greater China and other emerging markets	Power tools	Professional/ industrial end users	Asia and other emerging markets	RMB199-6,999
小强 X-TRON 电动工具	A robust, durable and affordable brand for China market in construction and home improvement applications	Power tools	Contractors in the construction and home-improvement industries	China	RMB139-1,229

Note:

(1) *EGO* ranks No. 3 in the global electric OPE market by revenue in 2020 according to the Frost & Sullivan Report.

Our brand strategy seeks to provide comprehensive coverage and avoid overlap between market segments at the same time through differentiation in brand positioning, product categories, target end users, pricing and geographic focus. We also conduct annual product roadmap planning and routine new product reviews to avoid competition among products across brands.

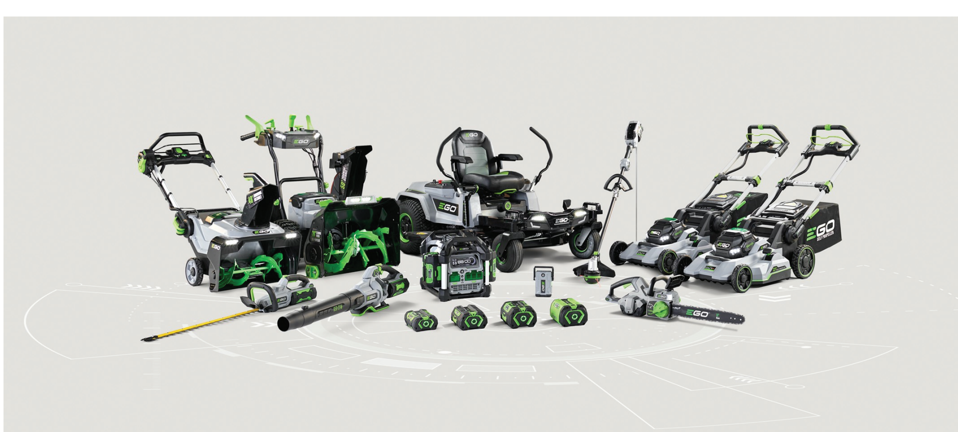
The diagram below sets forth our differentiation between brands with respect to product categories, target end-users and geographic focus.

Key Regions	Power Tools Brand		OPE Brand	
	Consumer	Professional/ Industrial	Mass-market	Premium
North America	SKIL	FLEX	SKIL	EGO
Europe	SKIL	FLEX	SKIL	EGO
China	SKIL	DEVON 大有 小强 XTRON 电动工具		
ROW	SKIL	FLEX	SKIL	EGO

EGO

EGO is a leader in advanced technology and design in the OPE industry and developed one of the first cordless OPE products that rival the power and performance of traditional gasoline engines – without the noise, fuss, or fumes. Built in-house from the ground up since 2013, *EGO* has rapidly grown to become the industry-leading brand it is today. The *EGO* brand also ranked the 3rd with 9.8% market share among the top 10 global battery-powered OPE brands in 2020, according to the Frost & Sullivan Report.

As of June 30, 2021, excluding batteries, chargers and accessories, the EGO brand featured 59 products, such as mowers, blowers, trimmers, and chainsaws, among others. We distribute the EGO OPE products primarily in North America, Europe and Asia Pacific.



Arc-Lithium™ Battery Platforms

As one of the industry's first 56V battery platforms, *EGO*'s Arc-Lithium™ battery technology enables our OPE products to provide for performance, durability and run time, even in tough conditions. Packed in a robust case and with electronics submerged in an epoxy, Arc-Lithium™ battery platforms are water-, dust- and shock-resistant and are compatible across a range of OPE products from riding mowers to walk-behind wheeled outdoor equipment and to handheld tools.

EGO-branded products include riding mowers, walk-behind mowers, leaf blowers, string trimmers, hedge trimmers, chainsaws and portable power stations, among others.

Riding Mowers

Equipped with brushless motor technology, our lithium-ion battery powered riding mowers deliver the power and performance equivalent to a gasoline engine and feature adjustable hydraulic seat suspensions for a comfortable mowing experience for end users. Each riding mower can hold up to six *EGO* 56V Arc Lithium™ batteries – the same battery platform powering all *EGO* products. Reaching a top speed of eight miles per hour, the riding mower covers up to two acres (approximately 8,100 sq.m.) on a single charge with four 56V Arc Lithium™ 10Ah batteries. End users can customize their rides with an LCD interface featuring three driving modes, namely control, standard and sport, that come with different speeds and driving experience. The riding mower also includes features such as LED lights, USB charging port and Bluetooth connectivity.

Walk-Behind Mowers and Snow Blowers

Walk-behind wheeled outdoor equipment primarily includes walk-behind mowers and snow blowers. Our walk-behind mower product features intuitive ambidextrous self-propel control, a variable-speed dial, a brushless motor and a multi-blade cutting system, which collectively provide for superior power, performance, versatility and long run time. Our snow blower product combines remote chute control, a variable-speed dial, and a wide steel auger shaft to deliver enhanced clearing capabilities, even for heavy and wet snow.

Leaf Blowers

Inspired by advanced aeronautics, we have equipped with our blower products with high speed turbine fan technology to generate enhanced power and run time. The blower can run continuously for over 90 minutes and at various levels of speeds, generating a maximum air speed of 180 miles per hour that is comparable to a Category 5 hurricane. With our patented antistatic technology and featuring one of the first middle intake airflow design, *EGO* blower offers quietness, light-weight and compactness that enables end users to get the job done faster and more comfortably compared to traditional gasoline engine products.

String Trimmers

Our *EGO* string trimmer product features (i) the patented POWERLOAD™ Technology, which solves a significant pain point of string trimmers by being one of the world's first string trimmer tool that can automatically wind the trimmer line by a simple push of button and (ii) a carbon-fiber shaft that is stronger than steel but lighter than aluminum and can be telescopic so that users at different height can use the product at comfortable positions.

FLEX

Under the *FLEX* brand, we primarily manufacture power tools that are designed for the professional craftsmen. *FLEX*-branded products include sanders, polishers, angle grinders, metal surfacing tools, drills, impact drivers, impact wrenches and saws, among others. Our *FLEX*-branded products are applied in a variety of professional/industrial use cases that require precision, such as metal treatment, building and renovation, automotive (car care and repair), and stone working. The *FLEX* brand embodies high standards of power, performance, precision, run time and durability that meet the needs of our end users in professional work environments.

FLEX main products and use cases

Metal treatment primarily covers vessel construction, metal sheet work, work on stainless steel and surface treatment. Applicable *FLEX* tools include angle grinders, straight grinders, burnishing machines and belt sanders, among others.

Building and renovation primarily covers completion of the interior construction of buildings, renovating and modernizing, such as drywall, electrical work, plumbing, HVAC installing and painting. Applicable *FLEX* tools include angle grinders, sanders, saws, drills, vacuums, and rotary hammer, among others.

Automotive car care and repair primarily covers car body preparation, smart repair, and paint preparation as well as finishing that demands high degree of precision. Applicable *FLEX* tools include polishers, sanders, impact wrenches and vacuums, among others.

Stone working primarily covers professional sanding and other types of processing of natural and artificial stones. Applicable *FLEX* tools include angle grinders, sanders, rotary hammers and polishers, among others.

As of June 30, 2021, the *FLEX* brand featured 193 products. Founded in Germany in 1922, *FLEX* developed the world's first high speed angle grinder in 1954, and the name *FLEX* is often used synonymously with angle grinders in the German language. *FLEX* was acquired by us in 2013. We distribute our *FLEX* products primarily in Europe, North America and Asia Pacific.

Polisher

The *FLEX* polisher features multiple functions, namely rotary, mild orbital and aggressive orbital for various applications, with a working head that can be changed by only one push.

FLEX 24V Lithium-ion Range

FLEX lithium-ion battery tools combine 24V lithium-ion battery platforms, intelligent BMS and THERMA-TECH™ cooling technology to deliver enhanced power, run time and fast charging capabilities for power tools.

FLEX 24V Brushless Inline Circular Saw

With its unique inline structure, FLEX 24V brushless inline circular saw can provide better cutting experience and more cutting depths compared to traditional circular saws.

SKIL

Founded in 1924, *SKIL* is a well-recognized brand in the power tool industry. We acquired *SKIL* in 2017 and has invested in strengthening its position in the industry. *SKIL* also offers a comprehensive line-up of OPE products. *SKIL* products are equipped with advanced technologies that resonate with both professional builders and home improvement enthusiasts. With its full assortment of products with innovative features, SKIL has gained popularity and trust among end users in North America and European markets.

As of June 30, 2021, the *SKIL* brand featured 201 products. We provide *SKIL*-branded products under the following sub-categories: (i) power tools, including circular saws, reciprocating saws, worm drive saws, drills, hammer drills, impact drivers, wrenches, angle grinders and sanders, among others, as well as (ii) OPE products, including mowers, string trimmers, hedge trimmers, leaf blowers and chain saws.

Equipped with our patented PWRCore™ battery technology and PWRJump™ charging capability, our *SKIL* 12V brushless drill drivers performance, power, compactness and long run time. The PWRAssist™ technology also enables the battery to charge other devices with a built-in USB port.

SKIL-branded products include tools that run on a wide range of battery platforms, including 12V, 20V and 40V, which are tailored for different end user requirements and work environments. *SKIL's* battery system also features convenient charging methods, such as the PWRASSIST™ Mobile Charging system with a built-in USB port, which is similar to that of a phone or tablet. *SKIL*'s battery system also provides fast-charging capabilities. For example, our PWRJUMP™ technology can replenish PWR CORE

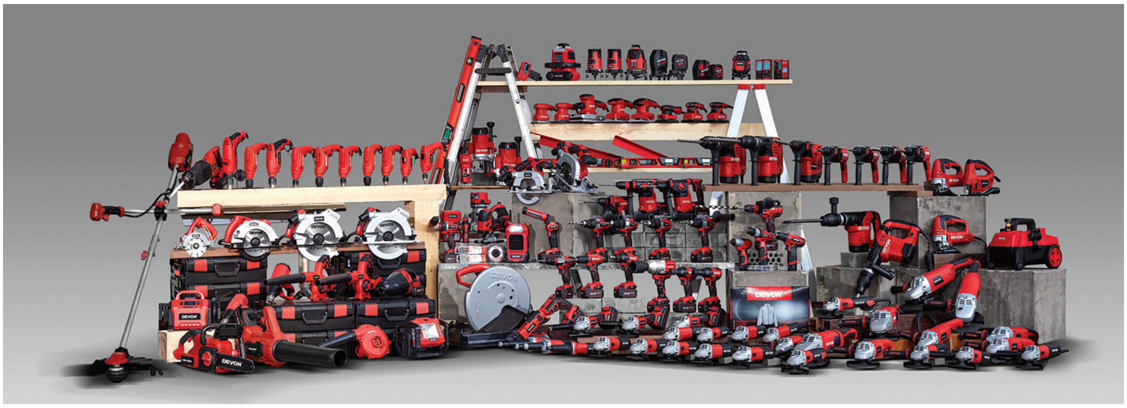
12™ and PWR CORE 20™ 2.0Ah batteries from zero to 25 percent in generally only 5 minutes, which would give the battery sufficient power to support the tools in a normal work mode. Primary battery platforms of *SKIL* products are summarized in the table below.

Primary battery platforms of *SKIL* products	**Characteristics**
PWRCORE 12™	"Big power, compact design." The 12V battery system delivers lightweight power and is designed for working overhead or in tight spaces.
PWRCORE 20™	"Serious power & performance." The 20V battery system delivers advanced power and torque for more demanding work environments.
PWRCORE 40™	"Ditch the gas, keep the power." The 40V system features lawn and garden tools that are designed for yard work.

Leveraging our sales channels for *SKIL* brand in the power tool market and research and development capabilities, we further increased our competitiveness in the OPE market by successfully launching *SKIL*-branded OPE products in 2020. As of June 30, 2021, our *SKIL*-branded OPE products featured 23 tools and equipment, such as lawn mowers and trimmers, which can run 20V and 40V battery platforms. Our lawn mower and trimmer products provide features such as a lightweight, integrated hanging system and an easy-to-use line loading system to promote convenience and efficiency. We are also developing other OPE product series under the *SKIL* brand to address the evolving needs and preferences of our consumer end users.

DEVON

We established the *DEVON* (大有) brand specially for demanding professional/industrial power tool end users in the Asia and other emerging markets. *DEVON* is committed to providing power tools that are tailored to the specific needs of professional/industrial end users in these markets. As of June 30, 2021, the DEVON brand featured over 155 products across six major product lines, such as drills, hammer drills, rotary hammers, impact drivers or wrenches, angle grinders and saws. *DEVON*-branded products are widely used in machinery manufacturing, furniture manufacturing, stone material, shipbuilding, casting, steel structure, construction, decoration, automobile maintenance and other professional fields. Our *DEVON*-branded products can be powered by both 12V and 20V lithium-ion battery platforms.



X-TRON

X-TRON (小強), which we developed in-house, delivers power tools that are tailored to the needs of hands-on contractors in the construction and home-improvement industries in China. Offering durable and affordable power tools with enhanced performance, *X-TRON* enjoys widespread recognition in its target market. *X-TRON*-branded products primarily include drills, hammer drills, rotary hammers, impact drivers or wrenches, angle grinders and saws. As of June 30, 2021, the *X-TRON* brand featured 45 products. *X-TRON* engineers and manufactures with the vision of combining a "no fuss" approach in design with robustness, performance and affordability.

RESEARCH AND DEVELOPMENT

We have an unwavering focus on research and development and are dedicated to being an innovator in the power tool and OPE industry. We devote resources to research and development to support provision of new products with enhanced performance to meet the needs of our customers and end users. We incurred US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million of research and development expenses for the years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2020 and 2021.

We seek to achieve advancement in key technologies that promote the performance, reliability, durability and user experience of power tools and OPE products. For example, we are devoting resources to the research and development of advanced vector control algorithms, which we believe will enhance user experience by enabling a particular tool or equipment to deliver different levels of power based on specific end user needs and work environments. Our research and development efforts have produced notable technical achievements and have a track record of developing intellectual property and industry know-how that can be applied to products. As of June 30, 2021, we had more than 1,630 patents globally, covering key areas such as battery heat management and intelligent control and protection. See "– Intellectual Property" below for details.

As a result of our research and development capabilities, we are also able to continuously develop and launch new products. During the Track Record Period, we introduced 751 new products, and lithium-ion battery powered products accounted for 65.2% of the total new products. For example, we launched a new riding mower product, which delivers enhanced performance and comfort that is enabled by advanced vehicle drive and battery technologies. We have also developed smart IoT-enabled riding mowers to provide an all-weather, intelligent and customizable solution for the professional and premium garden equipment market.

In addition, we seek to innovate and optimize production techniques and processes in order to enhance product quality, promote cost efficiency and promote overall profitability. We have developed a series of production techniques and installed advanced equipment to optimize our manufacturing process. For example, we equip our smart factories with robotic technologies that can perform tasks in an efficient and accurate manner with movements that imitate human arms. We also have comprehensive testing and analysis capabilities which will enable us to more accurately assess the quality of products.

Research and Development Capabilities

Research and Development Teams

As of June 30, 2021, we had 680 employees devoted to our research and development efforts. Our research and development teams comprise highly qualified professionals with a broad range of skill sets such as concept designers, system designers, algorithm engineers, structure engineers, electrical engineers, mechanical engineers, software engineers, industrial designers and testing engineers. Our China-based headquarters focuses on overall technology development, product development and testing capabilities, while our four additional research and development centers based in Europe and North America provide industrial design and product development capabilities, as well as access to local market knowledge and expertise. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our research and development costs amounted to US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million, respectively, representing 4.0%, 3.7%, 3.2%, 3.3% and 3.2% of our total revenue during the same periods. Below is a summary of our global research and development teams and capabilities:

- *China.* Our research and development headquarters is based in Nanjing, Hangzhou and Changchun, China, and primarily consists of (i) a "Vision" team that focuses on front-end studies, exploring both fundamental technologies on core areas, such as motors, controllers, lithium-ion battery cells and creating innovative features to enhance end user experience, (ii) research and development teams, including product design and development, technology development, intellectual property, quality management, and testing laboratory, among others, (iii) a product management team and (iv) an industrial design team. In particular, our *CHERVON* Testing Center, which was founded in 1997, provides advanced capabilities covering safety, performance, chemistry and electromagnetic compatibility for various types of power tools and OPE products in accordance with applicable regulations. Such capabilities support critical functions such as product evaluation, certification, standard development and shipment quality control. The *CHERVON* Testing Center has achieved accreditations by both Chinese and international standard-setters, such as the China National Accreditation Service for Conformity Assessment ("**CNAS**"), the Underwriters Laboratories' ("**UL**") Client Test Data Program ("**CTDP**"), the DEKRA company's Customer Testing Facility Stage 3 ("**CTF3**") program. We were the first PRC-based laboratory for power tools and equipment to achieve the UL-CTDP accreditation. UL is a global independent safety science company that provides product testing, inspection and certification services, among other aspects. The UL-CTDP accreditation enables a product provider to utilize its own testing facilities to generate certain data required for the UL certifications with respect to product safety. In order to qualify for the accreditation, a product provider must have in place a laboratory quality program, physical resources, equipment, qualified personnel and procedures needed to conduct specified tests. UL will conduct initial and annual assessments on these elements. The Testing Center was also recognized by the Productivity Promotion Center of Electric Tool Industry (電動工具行業生產力促進中心) as the Leading Enterprise Laboratory in Chinese Power Tool Industry in 2021.

- *Europe.* Our European research and development centers are based in Germany, the United Kingdom and the Netherlands, which provide for superior talent and capabilities in areas such as product development and industrial design. The *FLEX* team based in Germany also provides for end-to-end product development, research and development capabilities.

- *North America.* Our North America research and development center is based in the United States, which provide for superior talent and capabilities in areas such as product development and industrial design.

Product Development Process

We develop our products in accordance with an established process and roles and responsibilities. In the product planning phase, we analyze the end user needs and competitive environment to identify potential opportunities based on our industry insights and expertise, especially advanced and suitable technologies that may be applied to products across categories.

Once an opportunity is identified and project established, our multi-disciplinary team evaluates the proposed product concept design, which involves a joint effort by our product engineering, quality assurance, safety, intellectual property and procurement teams, to determine the feasibility of the product based on factors such as aesthetics, function, costs, manufacturability and market positioning. We also typically develop a product development plan. Our product and industrial design engineers then develop the structural and technical design and set out the quantity and specifications of raw materials, parts and accessories needed to manufacture the product. Our intellectual property team registers patents when they identify novel and unique features. In addition, our safety engineers monitor our adherence to applicable product safety standards. Meanwhile, our procurement team works with product engineers to engage reliable suppliers to develop required parts and accessories, as needed. We organize such processes under a concurrent engineering structure.

Thereafter, we build, evaluate and refine a selected number of prototypes, and send a prototype to an independent laboratory for further evaluations. Once such internal and external evaluations are complete, we conduct pilot production and evaluate the manufacturing processes in order to enhance efficiency in our production lines. We then pass on the product to our manufacturing facilities for mass production.

We continuously upgrade our products and refine our designs based on consumer feedback through product development and after product launch. We collect end user feedback from a variety of sources, including online reviews, user testing sessions, social media and comments from staff throughout our offline distribution network, which will guide our product definition and development efforts.

Industry Standard-Setting

As a member of global and PRC-based standard-setting committees for power tools and OPE products, we participated in the development of more than 100 published industry standards, including taking a leading role in creating (i) one international standard regarding safety requirements for chain beam saws and (ii) 11 industry standards in China covering a range of safety requirements for power tools, battery packs and chargers. We submitted numerous commentaries to help improve drafts of industry standards. We are a member of leading industry committees and organizations, including the International Electrotechnical Commission ("**IEC**"), International Standard Organization ("**ISO**"), Canadian Standards Association ("**CSA**"), Power Tool Institute ("**PTI**") and Outdoor Power Equipment Institute ("**OPEI**").

Collaboration with Research Institutions

We collaborate with research institutions to gain insights into industry trends, consumer preferences in various markets and emerging new technologies and to focus on research and development efforts more effectively. For example, in partnership with Fraunhofer-Gesellschaft in Germany, we develop technologies to enhance the performance of our products. Fraunhofer-Gesellschaft is a large applied research organization focusing on technologies such as artificial intelligence and computing. We also collaborate with universities on research projects into fundamental technologies relevant to our products.

The salient terms of our agreements with research institutions are set forth below:

- *Scope of collaboration*. The agreements typically specify the research projects that the parties collaborate on and the expected timeframes for such projects.

- *Compensation*. The agreements typically provide for the amount of compensation to be paid by us to the research institutions, and such compensation is typically paid in installments.

- *Confidentiality*. The research institutions are required to maintain confidentiality of information provided by us.

- *Intellectual property rights*. The agreements typically provide that we have intellectual property rights in the results of relevant research projects.

- *Termination*. If the research results produced by a research institution fail to meet the evaluation standards mutually agreed by the parties, we typically have the right to terminate the relevant agreement.

Our Technologies

We develop most of our key technologies in-house to achieve a rapid pace of innovation and tailor our product offerings to industrial/professional and consumer, as well as premium and mass-market end users. Such technologies encompass a range of technology stacks, including (i) fundamental technologies covering battery platforms, electric controls and motors, (ii) IoT and intelligent systems and (iii) product-specific technologies. We are able to understand the performance and user experience of our products and have the flexibility to continuously improve them.

Fundamental Technologies

The performance of power tools and OPE depends on fundamental technologies involving battery platforms, motors and electric controls. Battery platforms provide energy and power that are converted by motors into driving forces for a tool or equipment, with electric control systems monitoring and directing the operation of the tool or equipment to optimize end user experience and enhance power efficiency for cordless tools. Leveraging our superior in-house research and development capabilities, we are able to improve our power tools and equipment through user friendly features and noise and vibration reduction.

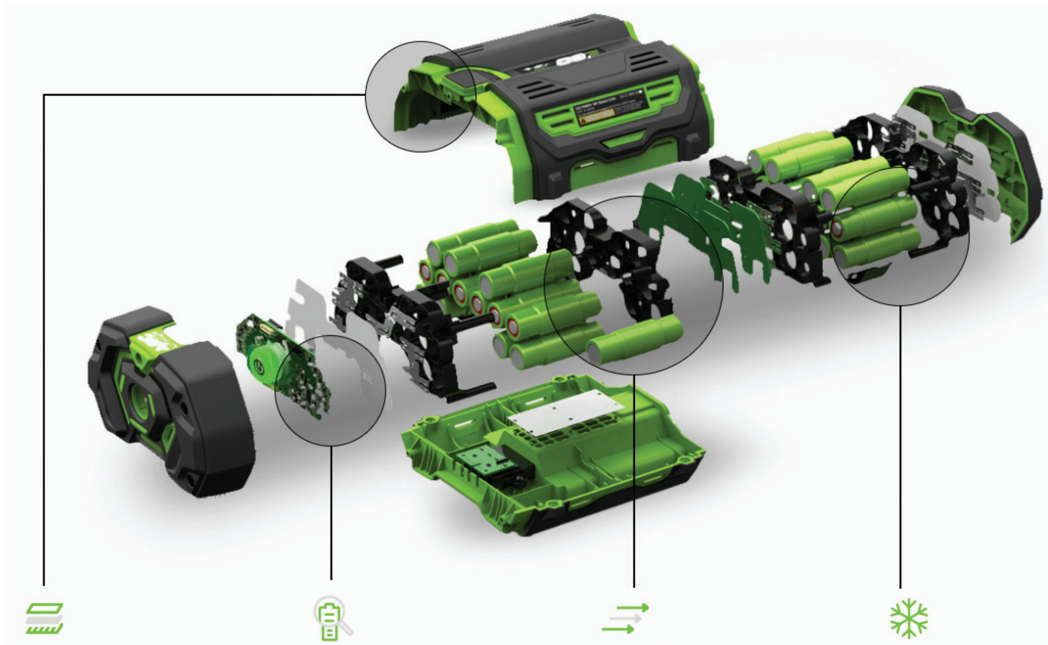
Battery Platforms

Our power tools and equipment utilize battery cells with high energy density, which are packed into modules and fastened to a high-strength frame. Through our research and development efforts, we equip our advanced battery platforms with technologies such as thermal control, intelligent pack matching and multi-level safety protection, which enable our battery-powered products, such as mowers and blowers, to operate in tough environments for longer periods of time and to enhance user experience by providing power, performance, safety and run time. In addition, we believe the compatibility of our battery system will enable us to leverage future technological advancement relating to battery cells. Our BMS is designed in-house to optimize battery performance. It monitors the status of each battery cell in real time and ensures the safe and efficient functioning of the battery system. Our BMS accurately calculates the remaining battery capacity, and the accuracy of such calculation is essential to the battery's safety and longevity, as well as to an end user's experience working with our tools and equipment. In addition, our BMS has strong heat management capabilities. Our battery platforms are also capable of rapid charging, which offer our customers a convenient experience and have received positive comments from customers around the world.

(i) Arc Lithium™ Battery Platform

Our flagship *EGO* 56V Arc Lithium™ battery platform is a first-to-market differentiator which features a patented "arc" shaped design, unlike other battery packs that are shaped like bricks and retain heat. The battery platform is protected against water and elements by sealed and shock-resistant materials, which support a high level of performance and durability. Inside the battery platform, we use our intelligent battery management system that monitors and optimizes each individual battery cell to promote power, performance and run time, including a patented proprietary technology that enables high-accuracy temperature control. The battery platform also provides a patented high-voltage battery system that uses a third parallel row of cells which evenly distributes power across the rows, so that our battery can handle challenging conditions and provide enhanced performance. In addition, our KEEP COOL™ technology protects each individual battery cell by surrounding it with phase-changing material that pushes heat away, which, coupled with our patented

Arc Lithium™ design, keeps the battery platform from overheating. The battery platform also comes with our Turbo Charger system that can replenish a depleted 2.5Ah battery in approximately 30 minutes, which is made possible by an intelligent battery control system that monitors each cell's charge and temperature and a fan-cooling system that allows the battery to start charging sooner and finish faster.



Shock Resistant Design

Our sealed and shock-resistant design protects batteries from water and elements.

Intelligent Battery Management

Our intelligent BMS monitors and optimizes each individual battery cell to maximize power, performance and run time.

Third Parallel Row of Cells

We obtained a patent for our high-voltage battery system that uses a third parallel row of cells. This innovative design evenly distributes power across the rows, so that our battery can handle challenging conditions and provide enhanced performance.

Keep Cool Cell Technology

Each cell of our *EGO* battery is surrounded by phase-changing material that absorbs heat. Coupled with our patented Arc Lithium™ design, this keeps the battery from overheating and equipment running longer at full power.

(ii) POWERCORE 40™ Battery Platform

We equip our *SKIL*-branded products with our patented POWERCORE 40™ battery technology, which features heat-management materials wrapped around each battery cell and a thermal control system. The battery system is compatible across the full assortment of *SKIL* 40V OPE tools, which deliver exceptional performance and user experience.

(iii) KEEP COOL™

We equip our *FLEX* products with KEEP COOL™ battery technology that features materials that prevent batteries from overheating by absorbing excess heat, which enables the batteries to last longer at a high level of power output. The battery technology also increases the longevity of battery cells by reducing the loss of capacity throughout a battery's lifecycle.

Motors

Motors translate the electricity supplied by battery platforms into rotating motions that drive a power tool or equipment. With brushless permanent-magnet synchronization and direct-drive external rotor technologies, our motors have a more compact structure that weighs less, achieves higher power efficiency and reduces noise levels. These motor technologies were developed in-house and have been primarily applied to industrial and professional tools and equipment, such as impact wrenches and circular saws.

Electric Controls

Functioning like a nerve center, an electric control system (i) gathers and responds to information through input devices such as sensors and (ii) controls the tool or equipment by using electrical energy in the form of an output action. Through substantial investments in in-house research and development, we are able to offer products that feature sensorless control, vector control and alternating-current brushless technologies, which are designed to make our products, such as drills and grinders, more powerful, efficient, reliable and comfortable.

- *Sensorless control*. Unlike traditional motors with physical sensors that are prone to malfunctioning due to metal dust exposure, our motors are sensorless and feature advanced capabilities such as high-frequency injection and back electromagnetic field detection, which make our power tool equipment more compact and reliable.

- *Vector control*. Our vector control technology increases the versatility of our power tools and OPE products by expanding the range of motor speed and enabling smooth transitions between high-speed and high-capacity modes. The technology also enables high-accuracy torque control that provides for comfort and ease for end users in operating our riding outdoor equipment.

- *AC brushless control*. We replace the traditional series-wound motors with AC brushless motors that make our power tools, such as angle grinders and sanders, more compact and powerful.

IoT and Intelligent System Technologies

We are committed to leading the development of new power tool and OPE products based not only on advanced engineering techniques, but also on IoT, sensors, machine learning and algorithms, which we believe will help our products become more intelligent and evolve and upgrade more rapidly.

- *Robotic mowers*. Our robotic mower product is equipped with advanced outdoor positioning and intelligent route planning capability that enables the mower to navigate unfamiliar environments without human intervention and more accurately return to the starting point, even under low power modes. In particular, the relevant technology combines intelligent navigation, multi-sensor and equipment docking capabilities.

- *IoT-based intelligent interactive technology*. We devote significant resources into research and development regarding IoT and sensor technologies, such as riding lawn mowers and battery chargers, by providing for a data-driven, cloud-based platform that directly connects with end users' equipment. Our IoT-enabled equipment allows end users to remotely control and monitor machine and battery status, conduct diagnosis and troubleshooting, and purchase additional equipment and accessories through a mobile application.

- *Intelligent control and protection*. We provide end users of our power tools, such as drills, with more comfort and safety through application of electric torque control and reverse rotation protection technologies. The electric torque control technology enhances the accuracy of tool controls by identifying relevant parameters in the electric system and building advanced computer models based on such parameters. With data collected through sensors and control algorithms, the reverse rotation protection technology enables an electric control system to monitor the operating posture of power tools and apply necessary protective measures in milliseconds, thus promoting the safety of power tools such as cordless drills.

- *Machine learning-based multi-objective optimization system*. We apply active learning algorithms to analyze and optimize the combination of relevant performance indicators, such as power, vibration, and run time, across a variety of power tools including sanders and impact drivers. This capability has enabled us to rapidly optimize our power tool products.

Product-Specific Technologies

We develop product-specific technologies to enhance user experience for a variety of power tools and equipment.

- *Battery powered riding vehicle technology.* We developed an advanced battery powered riding vehicle technology in-house, which primarily consists of (i) a low-profile structural design, (ii) independent field oriented control ("**FOC**") on brushless motors for driving and cutting, (iii) a power system that is compatible with battery platforms and (iv) a dual motor for differential drive and a distributed cooling system. With these technological features, our riding mowers can provide end users with enhanced control, stability, safety and comfort. The module-based design also makes it easier and cheaper to maintain and service the riding mower products.

- *Vibration reduction*. Our power tool products, such as angle grinders, are equipped with our patented technology on vibration reduction, which makes the operation of our tools more comfortable by detecting, insulating and absorbing vibrations to minimize their impact on end users' main touchpoints on the tools.

- *Dust reduction*. Our power tool products, such as sanders, feature our patented technology for dust reduction through a vortex duct vacuum that is washable and does not require installation of filters.

PRODUCTION

Over more than 20 years, we have been building competitive advantages in our production capabilities. Our production process is designed to promote high standards of quality while delivering the ability to rapidly ramp up production of products on short timeframes to meet our customers' needs. Our design and manufacturing capabilities enable us to bring to market a wide range of power tools and OPE products.

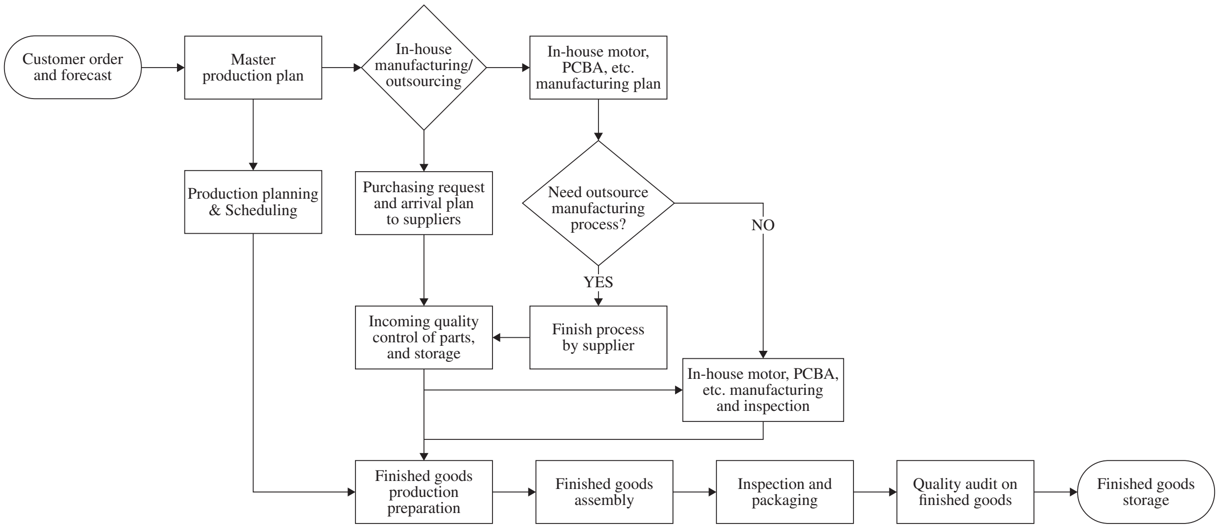
We focus on vertically integrating our production capabilities for several key reasons, including acquiring advanced technologies, promoting product quality, ensuring production capacities and controlling costs. For example, we design, develop and manufacture core parts and components such as battery packs, motors, and printed circuit board assembly or PCBA, which generally have significant impact on the quality of our products. We also source certain non-core parts, components or materials from quality suppliers to optimize our cost structure.

Production Process

In order to maximize efficiency and ensure timeliness of product delivery, we employ a variety of manufacturing technologies, including (i) production lines that combine automated and manual processes, (ii) specialized automated production lines, as well as (iii) module-based, intelligent and flexible production systems. We believe our manufacturing system enables us to produce a wide variety of power tool and OPE products based on not only mass production, but also high-mix and low-volume orders in an efficient and timely manner.

Our specialized engineering team is dedicated to continuously developing production and management techniques with respect to component manufacturing and product assembly, with the objective of promoting our manufacturing and production management capabilities, accelerating the application of automated and digital technologies to production lines, and advancing implementation of operation systems and smart factories within our proprietary *CHERVON* Production System. We apply advanced industrial engineering and automated equipment design and manufacturing technologies to achieve a high degree of balance and error prevention, reduce reliance on manual labor and improve efficiency and quality. We have also applied principles and processes grounded in our *CHERVON* Production System across our manufacturing activities.

The diagram below illustrates key steps under our overall manufacturing process.



As illustrated above, our manufacturing process starts with receiving customer forecasts in the case of OBM business or customer orders in the case of ODM business. We consider such customer orders and forecasts, along with our own market forecasts (including direct sales to end customers via self-operated online stores) to develop a master production plan. We determine the components and parts that we will manufacture in-house and those that we will source from qualified suppliers based on our resource planning system. For sourcing of parts and components, we submit purchasing requests and arrival plans to our suppliers. Once the sourced parts and components are delivered, we conduct incoming quality controls and store the parts and components that meet our quality standards in our warehouses. For in-house manufacturing of parts and components, such as motors and PCBAs, we produce and inspect them based on our manufacturing plans. While the parts and components are being prepared or sourced, we develop production plans and schedules for finished goods. We assemble, inspect and package finished goods based on the plan and schedule. We also execute quality audits on finished goods and then store them in our warehouses in preparation for shipping.

For our OBM business, we typically manufacture products based on forecasts and store finished goods in local warehouses across our key markets. After we receive orders, we will ship finished goods to customers from our local warehouses. For our OBM business, it typically takes one day to two weeks from customer order placement to fulfillment. For our ODM business, we typically manufacture products based on orders, and it typically takes 30 to 60 days from customer order placement to fulfillment.

Machinery and Equipment

Our manufacturing facilities feature advanced equipment, which we believe is essential to promoting product quality and cost competitiveness. Many of the machines and equipment that we operate require minimal human operation, which allows us to reduce labor costs. We design, customize and integrate a variety of advanced technologies into our production processes. Some of our critical production and testing equipment were imported from countries such as Japan, Germany and the United States. We have also internally developed many of the production technologies and equipment used in our production and testing processes. Key machinery and equipment applied in our production processes are set forth below:

- ***For battery packs***: An automated battery assembly production line that is equipped with four-axle and six-axle robotic arms, advanced spot welding equipment and battery cell sorting equipment, among other capabilities;

- ***For PCBA***: A Surface Mount Technology ("**SMT**") production line which is used for assembling a variety of key components for our products and primarily consists of high-end equipment imported from Japan and Germany;

- ***For motors***: A brushless motor production line which is equipped with advanced technologies such as robotic assembly, visual and audio-visual recognition and motor performance testing;

- ***For machining process***: A horizontal machining center that is characterized by speed, efficiency and accuracy and primarily used for manufacturing components for our bench tools, as well as a high-precision Computer Numerical Control ("**CNC**") lathe which is primarily used for manufacturing product components that require high-grade engineering precision.

Set forth below are examples of our production lines and equipment.

Assembly Line for Riding Mowers

PCBA Production Line

Existing Production Facilities

As of the Latest Practicable Date, we had production facilities with an annual production capacity of more than 22 million units, covering an aggregate floor area of approximately 183,000 sq.m.

During the Track Record Period, we operated four production facilities, namely *CHERVON* Industrial Park (德朔工業園), *CHERVON* Green Power Industrial Park (泉峰新能源工業園), *FLEX* Germany Plant and *CHERVON* Vietnam Plant. The production facilities house 120 production lines in total and have an aggregate annual production capacity of more than 16.8 million units, which offers us the scale needed to maintain stable supply to our key markets.

The table below sets forth information regarding our production facilities during the Track Record Period.

Facility Name	Location	Gross floor area	Primary products	Construction completion year/year acquired	Designed annual production capacity
		(sq.m.)			*(units)*
CHERVON Industrial Park (德朔工業園)	Nanjing, PRC	65,491	Power tools	2006	8,000,000
CHERVON Green Power Industrial Park (泉峰新能源工業園)	Nanjing, PRC	80,752	OPE and power tools	2015	8,070,000
CHERVON Vietnam Plant	Binh Duong, Vietnam	6,750	OPE	2020	700,000
FLEX Germany Plant	Steinheim, Germany	13,057	Power tools	2013	120,000

To meet increased market demand, we have also converted three leased properties into production facilities, which are described in more detail below. These facilities commenced mass production in August and September of 2021.

Facility	Location	Floor area for production	Key products	Designed annual production capacity	Lease term
		(sq.m.)		*(units)*	
Facility A	Nanjing, PRC	11,055	Power tools and OPE products	3,744,000	July 11, 2021 to September 10, 2026
Facility B	Nanjing, PRC	3,200	Power tools and OPE products	1,560,000	June 20, 2021 to June 19, 2024
Facility C	Nanjing, PRC	2,700	OPE products	30,000	March 1, 2021 to February 29, 2024

We expect these production facilities will provide a combined additional annual production capacity of approximately 5.3 million units, and they will serve as a transitional arrangement to supplement our production capacity while our planned production facilities are under construction. In making the conversions, we determined the portion of facilities that is suitable for production purposes, cleared the premises and installed relevant equipment in accordance with safety standards. Such conversions complied with the land use rights of the respective properties. We may move the machinery and equipment installed at these facilities to our planned production facilities before they commence operation in 2023 and 2024. Depending on the market demand, we may also use the production facilities for a longer period of time and renew the relevant lease agreements.

Set forth below are some of the key features and capabilities of our existing production facilities.

Smart Factory. Grounded in advanced information systems, including Enterprise Resource Planning ("**ERP**") system, product life cycle management ("**PLM**") system, Manufacturing Execution System ("**MES**"), Supplier Relationship Management ("**SRM**") and Warehouse Management System ("**WMS**"), our facilities feature a high level of digitalization and automation that enables us to track, monitor, control, and optimize the end-to-end production processes on a real-time basis, from planning and scheduling to procurement and warehousing, and from production to finished goods shipping. Connected with MES and production equipment, our electronic control system leverages automated equipment, a data service platform and a signal data collection system to trace production and testing data for our products and support real-time data processing. We have applied automated equipment and robotic technology to all key production steps, such as the surface mount technology production line and the production lines for battery packs and brushless motors. We have automated production lines, enabling automated assembly of components and packaging of products.

Robotic Technologies. Our facilities are equipped with robotic technologies, such as automated robotic arms, which are able to imitate the movement of human arms in executing a wide variety of tasks. We believe these capabilities can promote efficiency and precision in our manufacturing process and enhances consistency in the quality of our products. In addition, the use of robotic technologies can enhance workplace safety and reduce labor costs by reducing human involvement in the manufacturing process. We currently deploy over one hundred of robots and automated guided vehicles ("**AGVs**") at our production facilities. We plan to make further investments in robotic technology to enhance the level of automation of our production process.

Automated Warehouse. Located at the center of *CHERVON* Green Power Industrial Park (泉峰新能源工業園), our 11-deck, fully automated warehouse helps us enhance productivity and efficiency by providing for larger storage capacity – representing an increase in capacity by up to approximately 300 percent compared to conventional storage rack and forklift operations – and enabling timely delivery of materials and finished goods to our production lines. As of September 30, 2021, we deployed AGVs and other automated equipment at our warehouses. Our automated warehousing equipment is deeply integrated with WMS, SRM, MES and ERP to achieve automation of our logistics tasks and enhance operational efficiency. We were recognized as "Smart Logistics Facility of Jiangsu Province" (江蘇省智能物流車間) in December 2021 by the Jiangsu provincial government.

Set forth below are aerial views of our main China-based production facilities.

CHERVON Industrial Park (on the foreground)

CHERVON Green Power Industrial Park

The *CHERVON* Green Power Industrial Park incorporates environmentally friendly designs such as using solar power and ground source heat, recycling rain water and installing low-flow valves. Please refer to the section headed "– Environmental, Social and Governance" of this prospectus for additional details.

The following table sets forth a summary of our annual production capacity in terms of designed production capacity and utilization rates for our production facilities for the years and periods indicated. We have generally maintained high utilization rates during the Track Record Period. The *CHERVON* Vietnam Plant has lower utilization rates in 2020 and the six months ended June 30, 2021 primarily due to its new construction and production ramp-up periods. The *FLEX* Germany plant had a lower utilization rate at 61% in 2020 primarily due to the impact of the COVID-19 pandemic. The *FLEX* Germany Plant was closed for several weeks in April 2020, and gradually resumed operations since May 2020. Designed production capacity means the planned maximum production capacity at the relevant facilities for the year or period. During the Track Record Period, the designed production capacity at our production facilities increased primarily due to our investments in purchasing additional machines and equipment.

	Year ended December 31,									Six months ended June 30,		
	2018			2019			2020			2021		
	Designed Production Capacity	Actual Production Volume	Utilization Rate[(1)]	Designed Production Capacity	Actual Production Volume	Utilization Rate[(1)]	Designed Production Capacity	Actual Production Volume	Utilization Rate[(1)]	Designed Production Capacity	Actual Production Volume	Utilization Rate[(1)]
CHERVON Industrial Park (德朔工業園)	5,252,400	5,363,031	102%	5,995,200	5,461,271	91%	7,072,000	6,775,608	96%	5,062,000	4,633,000	92%
CHERVON Green Power Industrial Park (泉峰新能源工業園)	4,196,250	3,689,447	88%	4,923,750	4,369,000	89%	5,768,200	5,095,202	88%	4,318,000	4,168,000	97%
CHERVON Vietnam Plant	–	–	–	–	–	–	320,000	169,250	53%	504,000	324,000	64%
FLEX Germany Plant	110,000	109,249	99%	110,000	94,999	86%	120,000	73,180	61%	63,000	50,544	80%
Total	9,558,650	9,161,727	96%	11,028,950	9,925,270	90%	13,280,200	12,113,240	91%	9,947,000	9,175,544	92%

Note:

(1) The utilization rate is calculated based on the actual output for the relevant period divided by the designed production capacity for the relevant period.

Production Expansion Plan

In order to further elevate our manufacturing capabilities, we plan to establish two new production facilities and expand an existing production line in Nanjing, China. We generally follow several key steps in constructing new production facilities, namely (i) industrial design and construction preparation, (ii) equipment sourcing, (iii) land construction, (iv) equipment and pipe installation, (v) equipment testing and (vi) pilot operation. The table below sets forth the details of our expected capital expenditure, additional planned production capacity and expected timeline.

Production line	Location	Gross floor area	Key products	Additional planned annual production capacity	Estimated capital expenditure	Expected timeline of commencing operation
		(sq.m.)		*(units)*	*(US$'000)*	
CHERVON Smart Production Industrial Park (泉峰智能製造產業園)	Nanjing, PRC	402,355	Lithium-ion battery riding mowers, walk-behind mowers, handheld garden tools; lithium-ion battery power tools	10,400,000	465,574	2024
CHERVON Green Power Industrial Park Phase II (泉峰新能源工業園II期)	Nanjing, PRC	152,074	Power tools and OPE products	12,000,000	125,585	2023

In order to mitigate the potential impact of intensifying U.S.-China trade tensions, we established the *CHERVON* Vietnam Plant in 2020 and will continue to explore opportunities for expanding existing overseas facilities or building new facilities in Europe, North America, Southeast Asia and other regions.

Production Expansion Descriptions

We intend to construct our *CHERVON* Smart Production Industrial Park with a total estimated investment amount of approximately US$465.6 million (RMB2,965.8 million), which is scheduled to commence operations in 2024. With the production facility coming into operation, we expect to see a decrease in our production cost per equivalent unit and an increase in our capacity by approximately 10.4 million units. The facility will cover a gross floor area of approximately 402,355 sq.m., and have 164 production lines that cover motors, injection molding, lithium-ion battery hand-held power tools, riding mowers, walk-behind mowers and bench tools. The production facility will be equipped with smart production lines, automated warehouses and logistics and advanced IT systems such as ERP, MES and WMS. The expected investment payback period for the *CHERVON* Smart Production Industrial Park is 6.7 years, and the expected breakeven period for this production facility is 3 years. Set forth below is a breakdown of the amount of proceeds from the Global Offering that we intend to use for the *CHERVON* Smart Production Industrial Park in each relevant year:

- Year 2022: (i) US$14.7 million will be used for constructing the facility, (ii) US$15.8 million will be used for purchasing and installing machinery and equipment and (iii) US$21.6 million will be used for acquiring land use rights.

- Year 2023: (i) US$29.4 million will be used for constructing the facility and (ii) US$31.6 million will be used for purchasing and installing machinery and equipment.

- Year 2024: (i) US$55.6 million will be used for constructing the facility and (ii) US$36.7 million will be used for purchasing and installing machinery and equipment.

CHERVON Green Power Industrial Park Phase II will cover a gross floor area of approximately 152,074 sq.m. This facility will cost an estimated total of approximately US$125.6 million (RMB800.0 million), which is scheduled to commence operations in 2023. This facility is expected to further increase our production capacity by approximately 12.0 million units on an annual basis. The type of products that *CHERVON* Green Power Industrial Park Phase II will focus on are power tools and OPE products. The expected investment payback period for the *CHERVON* Green Power Industrial Park Phase II is 7.4 years, and the expected breakeven period for this production facility is 4 years. Set forth below is a breakdown of the amount of proceeds from the Global Offering that we intend to use for the *CHERVON* Green Power Industrial Park Phase II in each relevant year:

- Year 2022: (i) US$11.5 million will be used for constructing the facility and (ii) US$7.0 million will be used for purchasing and installing machinery and equipment.

- Year 2023: (i) US$5.4 million will be used for constructing the facility and (ii) US$5.3 million will be used for purchasing and installing machinery and equipment.

The existing production line expansion primarily involves expanding floor areas for production at an existing facility and purchasing additional, and relocating certain existing, machines and equipment to increase production capacity. Such expansion complied with the land use rights of the respective property. The estimated investment for this expansion is approximately RMB14.0 million (US$2.2 million).

Reasons for Production Expansion

We develop production expansion plans based on, among other things, (i) estimated supply and demand for relevant products; (ii) prevailing and anticipated prices for relevant products; (iii) utilization of existing manufacturing facilities and feasibility for expanding existing facilities; (iv) estimated cost of development; and (v) availability and cost of capital resources. Although our customers' purchases are made on a purchase order basis, we have partnered with our existing customers from product design through product development to the final delivery of our products. We have collaborated with them on product planning and developed long-term relationships. Our production expansion plan is primarily based on our understandings of business plans, product planning, potential demands for existing and new products and expected orders from these customers in the coming years. Such close partnerships and communications enable us to anticipate, identify and react to the market trends and understand customers' demands so as to facilitate our overall strategy formulation and planning, and to capture growth opportunities in different segments of the market.

We believe that there will be sufficient market demand to support our expansion plan based on several reasons, including (i) the global cordless power tool market and global cordless OPE market by revenue are estimated by Frost & Sullivan to increase at a CAGR of 9.9% and 9.0% from 2020 to 2025, respectively; (ii) during the Track Record Period, our revenue for power tools grew at a CAGR of 16.9% and our revenue for OPE products grew at a CAGR of 62.8% from 2018 to 2020; and (iii) the COVID-19 pandemic has not had a material adverse effect on the demand from our customers and end users. With the large scale of our new production bases, we will be able to fulfill customer demand and the needs of our rapid business growth. There is no guarantee that any of the expansion projects will proceed as planned. We may also invest in additional expansion projects as we continue to grow our business worldwide.

Maintenance

We carry out inspections and maintenance at our production facilities. Each of our major equipment or machinery will be periodically maintained and serviced based on pre-defined schedules. We have developed and periodically update internal procedures at our production facilities according to the characteristics and requirements of the particular equipment or machinery in order to ensure they function properly. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspensions of operations due to machinery, equipment or other facility failures.

Delivery and Transportation

We designed our logistics network to ensure the timely and orderly delivery of our products. We distribute products from our warehouses to customers around the world. We have outsourced our domestic and international product transportation to independent third-party logistics service providers. Our products are usually delivered by road to our customers in China or by sea and air to our overseas customers. We have long-term relationships with our logistic service providers, including qualified shipping companies. We assess our logistics service providers based on the frequency of on-time delivery, transportation capability, service coverage, financial strength, pricing and overall service quality. Typically, finished products are transported by the chosen third-party logistics service providers to the distributors and retailers after quality inspection and packaging. We may also use an expedited process for scenarios with high-efficiency shipment requirement such as major promotion events in order to meet the increasing sales volume in short period of time to ensure the timeliness of delivery to our customers. Our shipping arrangement vary among customers. In the case of FOB arrangement, we pay for the transportation of products to the port of shipment, and the customer bears the cost of the remainder of the shipping process. In other cases, we are responsible for the entire cost of shipping to the customer's warehouse. We are liable for shipping delays that occur in the part of shipping process for which we bear the cost.

The salient terms of our agreements with logistic service providers are set forth below:

- *Transportation of goods*. The logistic service provider is responsible for timely and safe shipments of goods to destinations specified by us.

- *Shipping cost*. The cost for each shipment is determined based on the specifications in the relevant shipping order, such as quantity of goods, manner of transportation and destination of the shipment.

- *Payment terms*. We are typically required to pay the logistic service provider within 60 days after the goods are shipped from us.

- *Duration and termination*. The agreements are typically of one-year term. Unless either party terminates the agreement in writing prior to the expiration of the previous term, the agreement is automatically renewed for an additional one-year term.

- *Liability for damages*. The logistic service provider is liable for damages to goods that occur during the transportation process.

- *Insurance*. We typically bear the cost of shipping insurance.

During the Track Record Period and up to the Latest Practicable Date, we had experienced certain delays due to the impact of COVID-19 on the global transportation network. While such delays affected our production schedule from time to time, they did not result in a material adverse impact on our business operations or financial performance, as evidenced by our growth in revenue and gross profit during the Track Record Period and in the third quarter of 2021. Please refer to the section headed "Risk Factors – Risks Relating to Our Industry and Business – Our business depends on third-party suppliers to meet our requirements for high-quality production and timely delivery of raw materials and components. Significant disruption in their supply or increase in their prices may materially and negatively affect our business." in this prospectus for additional details. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant poor handling of goods or any major incidents of loss or theft that materially and adversely affected our business operations.

SALES, MARKETING AND DISTRIBUTION

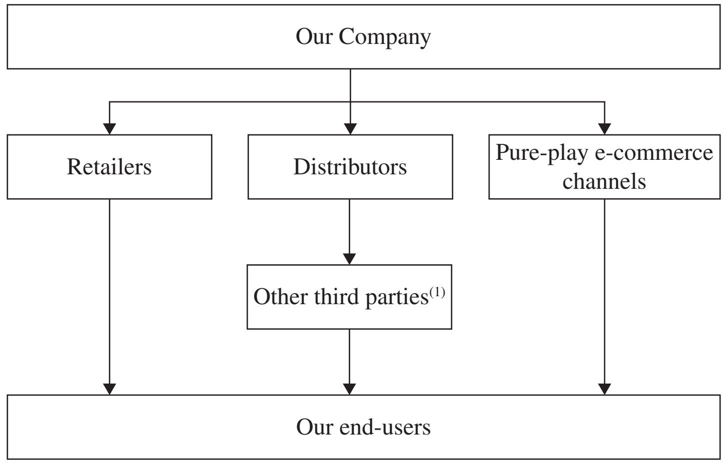
During the Track Record Period, our products were sold in more than 100 countries and regions, primarily in North America, Europe and Asia Pacific, including China. The table below sets out the breakdown of our revenue by destination of shipment, each expressed in an absolute amount as a percentage of our total revenue, for the periods indicated.

Countries/Regions	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
North America	383,675	55.6	506,900	60.1	798,913	66.4	321,707	62.5	572,683	65.9
Europe	232,995	33.7	257,821	30.6	297,260	24.8	140,757	27.5	207,752	23.9
China	56,564	8.2	61,540	7.3	69,295	5.8	38,820	7.5	61,378	7.1
ROW	17,464	2.5	17,317	2.0	35,434	3.0	13,075	2.5	26,984	3.1
Total revenue	690,698	100.0	843,578	100.0	1,200,902	100.0	514,359	100.0	868,797	100.0

Multi-Channel Sales and Distribution Network for Our Branded Products

Overview

We have established robust multi-channel sales and distribution networks that are tailored to the respective markets. Our sales and distribution network for our branded products consists of retailers, distributors and pure-play e-commerce channels, as illustrated in the diagram below. Retailers are those that purchase products from us and typically sell them directly to end-users. By contrast, distributors purchase products from us and distribute them to other third parties, which may consist of other retailers or sub-distributors, who then on-sell the products to end-users.



Note:

(1) Other third parties consist of retailers and sub-distributors; we typically do not establish direct contractual relationships with such other third parties.

We develop and manage our sales and distribution network on a region-by-region basis and adjust our strategy for each brand based on retail landscape and business norms in that particular region. For example, in North America, we sell our products primarily through leading national retailers including home centers and mass-market retailers, while in China, we sell our products primarily through a large and growing network of qualified distributors. Our products are featured in the sales channels that are top of mind for local consumers. We are constantly evaluating our existing channels and exploring new channels to optimize our sales and distribution network. We seek to avoid competition among sales channels primarily by monitoring retail prices and coordinating promotional activities across sales channels.

The following table sets forth our revenue breakdown by sales and distribution channels in an absolute amount and as percentage of our revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
Retailers	326,756	47.3	357,330	42.4	599,789	49.9	269,372	52.4	433,223	49.9
Distributors	85,127	12.3	84,519	10.0	95,991	8.0	53,470	10.4	116,633	13.4
Pure-play e-commerce channels	19,955	2.9	23,295	2.8	50,533	4.2	13,417	2.6	41,290	4.7
Total for OBM business	431,838	62.5	465,144	55.2	746,313	62.1	336,259	65.4	591,146	68.0

Retailers

Our retailers network comprises of national retailers and local retailers. National retailers consist mostly of home centers or mass market retailers that operate a large network of retail stores and may also operate online channels, such as *Lowe's*, *Walmart*, *ACE Hardware* and *Kingfisher*. National retailers, which are typically our major customers, are of critical importance to our growth strategy as their substantial and ongoing needs for our products enable us to develop and execute multi-year strategic plans involving product development and expansion of our production capacities. We collaborate with national retailers by providing products based on insights into the practical needs of end users. Compared to national retailers, a local retailer typically operates a single retail store or a smaller number of retail stores that target a local market and sell our products directly to end users. We have devoted resources to the development of logistics, warehouses and CRM systems to enhance our abilities to engage with and support a wider network of local retailers. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, our revenue generated from sales to retailers amounted to US$326.8 million, US$357.3 million, US$599.8 million, US$269.4 million and US$433.2 million, respectively, accounting for 47.3%, 42.4%, 49.9%, 52.4% and 49.9%, respectively, of our total revenue.

Distributors

We have been increasing our penetration of regional markets and accumulating valuable experience and local resources by maintaining long-term cooperation with key distributors. We believe that cooperating with distributors is a cost-effective way to reach a diverse customer base in our target geographic markets. For each geographical region, we choose a limited number of qualified distributors to distribute to the local retailers in the respective regions and prohibit cross-region sales in order to mitigate the potential cannibalization among distributors. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, our revenue generated from sales to distributors amounted to US$85.1 million, US$84.5 million, US$96.0 million, US$53.5 million and US$116.6 million, respectively, accounting for 12.3%, 10.0%, 8.0%, 10.4% and 13.4%, respectively, of our total revenue. We believe that, and Frost & Sullivan, our Industry Consultant, is also of the view that, our distribution model is consistent with market practice in the global power tool and OPE industry.

(i) Selection and Assessment Criteria for Our Distributors

We select our distributors based on a number of criteria, including, among others, their experience, marketing capabilities and financial condition. The table below sets forth the number of distributors for our branded products for the years and periods indicated:

	Year Ended December 31,			January 1, 2021 to the Latest Practicable Date
	2018	**2019**	**2020**	
Number of distributors				
At the start of the period	409	415	439	348
Increase in distributors[1]	37	149	50	22
Decrease in distributors[2]	(31)	(125)	(141)	(7)
Total at the end of the period	415	439	348	363

Notes:

(1) The increase in the number of distributors represents those distributors that made purchases from us for the year indicated, but did not purchase from us for the year immediately preceding the year indicated.

(2) The decrease in the number of distributors represents those distributors that made purchases from us for the year immediately preceding the year indicated, but did not purchase from us for the year indicated. Such distributors may purchase from us in a subsequent year.

We manage our distributors and determine whether to continue our contractual relationships with them based on their performance and our regional strategy. We actively managed our distribution channels to include more quality distributors. The significant decrease in the number of distributors in 2019 and 2020 was primarily due to our efforts to optimize sales channels for select regional markets to support our revenue growth, whereby we terminated relationships with certain distributors that do not meet our performance targets. We settle accounts with terminated distributors through negotiation or litigation. There has been no material dispute with our distributors during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, such adjustment for regional markets has been complete and we do not expect significant decreases in the number of distributors going forward. Set forth below are the aggregate revenue contribution and average revenue attributable to the distributors increased and decreased for the respective year or period indicated.

	Year ended December 31,			**Six months ended June 30,**
	2018	**2019**	**2020**	**2021**
	(in US$ thousands)			
Aggregate revenue contribution				
Increased distributors(1)	4,748	8,394	6,490	2,931
Decreased distributors(2)	N/A(5)	8,169	2,808	759
Average revenue per distributor				
Increased distributors(3)	128	56	130	172
Decreased distributors(4)	N/A(5)	65	20	95

Notes:

(1) Calculated by aggregating revenue that is recognized during the year/period indicated and attributable to distributors increased during the year/period indicated.

(2) Calculated by aggregating revenue that is recognized during the year/period immediately preceding the year/period indicated and attributable to distributors decreased during the year/period indicated.

(3) Calculated by dividing (i) the aggregate revenue that is recognized during the year/period indicated and attributable to distributors increased during the year/period indicated by (ii) the number of distributors increased during the year/period indicated.

(4) Calculated by dividing (i) the aggregate revenue that is recognized during the year/period immediately preceding the year/period indicated and attributable to distributors decreased during the year/period indicated by (ii) the number of distributors decreased during the year/period indicated.

(5) Aggregate/average revenue contribution from distributors decreased during 2018 is inapplicable given that the calculation requires revenue information from the year of 2017, which precedes the Track Record Period.

As a result of our strategic management of our distribution channels, our revenue attributable to distributors grew 12.8% from US$85.1 million in the year ended December 31, 2018 to US$96.0 million in the year ended December 31, 2020, and the number of distributors declined from 415 to 348 over the same period. Going forward, we will continue to seek cooperation with quality distributors to drive our revenue growth.

(ii) Arrangements with Our Distributors

We enter into distributorship agreements with our distributors. They directly purchase products from us and are our customers, who on-sell our products to other third parties including sub-distributors and local retailers. The sales to distributors are direct sales as the distributors purchase products from us and maintain their own inventories, and we generally do not permit product returns except for quality issues. Our distributors may further enter into agreements with their sub-distributors, and we normally do not enter into distributorship agreements or directly establish relationships with the sub-distributors. Accordingly, we generally have limited control over the sub-distributors and we rely on our distributors to manage and control the sub-distributors. We control and manage our distributors primarily through our contractual relationships with them. In limited circumstances such as promotional activities, we take the opportunity to communicate with other third parties including sub-contractors and local retailers to help them better understand our products.

We control channel stuffing risks among our distributors through the distributorship agreements and relevant management policies including (i) establishing product return policies and (ii) monitoring levels of inventories held by distributors, as further set forth below. To mitigate potential stuffing in the channel, we adhere to our product return policies and generally do not allow product return for reasons other than product quality issues. We also generally do not buy back our products except in limited circumstances such as bankruptcies or liquidations of the distributors' business or termination of distribution agreements with the distributors. We generally provide recommendations on pricing policies as well as support on sales and marketing to our distributors.

For local retailers who directly purchase our products from our distributors, we normally do not establish any direct relationship with them and have no control over them. In limited circumstances, we provide certain sales incentives, such as rewards in the form of products or shelf racks, to local retailers. They are not required to sell our products exclusively, and we rely on our distributors to manage them. We consider local retailers as an important channel for reaching a wider group of end users.

The following sets forth the key terms of our distributorship agreements that generally apply across regions:

- *Credit limits and terms*. We may provide credit to distributors with limits and terms determined based the creditworthiness of the distributors, which generally range from 30 to 90 days. Such limits and terms will be set forth in the distributorship agreements.

- *Indicative purchase targets*. We may set indicative purchase targets for distributors and may adjust the distributor relationship if such purchase targets are not fulfilled, such as by changing the wholesale pricing or authorized area of distribution. There are no penalties for failure to meet the indicative purchase targets.

- *Sub-distributors*. The distributors are allowed to engage sub-distributors, and are required to manage their sub-distributors. If sub-distributors are disqualified, distributors are required to recover all inventories from such disqualified sub-distributors or undertake joint liabilities. A distributor may be required to notify our Company prior to engaging sub-distributors.

- *Trademarks*. The distributors and sub-distributors are not allowed to use our trademarks or logos unless otherwise authorized by us.

- *Product returns*. Other than return of goods due to quality issues, we generally do not permit return or exchange of the products we sell to the distributors. As confirmed by our Industry Consultant, our product return policies with our distributors are in line with industry practice.

- *Prohibition on cross-region sales*. The distributors are allowed to sell in designated region only and cross-region sale is forbidden.

- *Contract term*. The distributorship agreement generally has an initial term of one year, and is typically renewed annually unless terminated by either party.

- *Termination*. Subject to limitations imposed by local laws, either party can terminate the distributorship agreement at will upon 30 days' notice in writing, and we can terminate the distributorship agreement immediately if we find the distributors are in breach of their obligations and fail to make adequate rectification measures.

- *Breach of contracts and damages*. If the distributors fail to sell our products in the manner required by us, the distributors are accountable for such breach of contracts. If a distributor breaches the distributorship agreement, we are entitled to demand liquidation damages and other compensations for our losses.

(iii) Sales Rebates

We may provide retrospective sales rebates to our customers once their value of products purchased from us during the period exceeds a pre-set target specified in the sales agreement. While practices may vary by region, rebates are typically offset against amounts payable by such customers. In the years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, the amounts of sales rebates were US$48.5 million, US$57.0 million, US$87.6 million, US$42.2 million and US$47.1 million, respectively. During the Track Record Period, approximately 20% of our customers were granted sales rebates.

(iv) Relationship with Our Distributors

To the best of our knowledge, all of our distributors are Independent Third Parties. The distributors are not connected to any of the Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates. To our best knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our shareholders, directors or senior management or any of their respective associates. Our relationship with our distributors is in essence a buyer and seller relationship. They are our customers and they do not act on our behalf when dealing with their respective end users, and we have no management control over their daily operations. Our distributors place orders with us when and to the extent they deem appropriate. In general, our relationships with distributors have remained stable.

To monitor the performance of our distributors, our internal policy includes requiring our sales representatives to carry out random site visits at distributors, monitor sales performance and pricing, as well as marketing activities of our distributors. We also regularly visit our distributors to check the inventory levels and to further mitigate the risk of inventory accumulation born by our distributors.

Our distributorship agreements explicitly prohibit cross-region sales by distributors. If a distributor breaches such restriction, we have the right to terminate the relevant distributorship agreement and/or sue the distributor for damages. In some instances, we also manage potential competition among distributors by entering into tri-party agreements with distributors and sub-distributors.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge there was no material non-compliance with the terms and conditions of our agreements with our distributors. See the section headed “Risk Factors – Risks Relating to Our Industry and Business – We have limited control over our distributors, and we cannot assure you that our distributors will continuously operate their distribution business in compliance with relevant laws and regulations or their obligations under the applicable distribution agreement.” in this prospectus for more details.

Pure-play E-commerce Channels

E-commerce platforms have become an important and fast-growing sales channel due to its increasing penetration of the power tool and equipment markets, according to the Frost & Sullivan Report. Our pure-play e-commerce channels primarily include (i) leading e-commerce platforms that purchase our products and on-sell to customers, such as *Amazon.com* and (ii) our self-operated online stores made available through major e-commerce platforms in China, such as *Tmall* and *JD.com*. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, our revenue generated from sales to pure-play e-commerce platforms amounted to US$20.0 million, US$23.3 million, US$50.5 million, US$13.4 million and US$41.3 million, respectively, accounting for 2.9%, 2.8%, 4.2%, 2.6% and 4.7%, respectively, of our total revenue.

Revenue Breakdown

The following table sets forth the breakdown of our revenue from OBM business by destination of shipment and sales and distribution channel, each expressed in an absolute amount and as a percentage of total revenue for the years and periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
North America	**258,504**	**37.4**	**286,478**	**34.0**	**548,787**	**45.7**	**236,420**	**46.0**	**424,423**	**48.8**
Retailers	237,222	34.3	261,857	31.1	494,845	41.2	221,872	43.2	378,301	43.5
Distributors	6,019	0.9	6,670	0.8	9,664	0.8	3,694	0.7	9,246	1.1
Pure-play e-commerce platform	15,263	2.2	17,951	2.1	44,278	3.7	10,854	2.1	36,876	4.2
Europe	**126,069**	**18.3**	**127,832**	**15.2**	**135,761**	**11.3**	**66,844**	**13.0**	**107,839**	**12.4**
Retailers	79,776	11.6	85,150	10.1	91,549	7.6	43,033	8.4	44,328	5.1
Distributors	45,228	6.5	41,827	5.0	43,434	3.6	23,427	4.5	62,590	7.2
Pure-play e-commerce platform	1,065	0.2	855	0.1	778	0.1	384	0.1	921	0.1
China(1)	**39,391**	**5.7**	**43,209**	**5.1**	**51,847**	**4.3**	**30,017**	**5.8**	**50,987**	**5.9**
ROW(2)	**7,874**	**1.1**	**7,625**	**0.9**	**9,918**	**0.8**	**2,978**	**0.6**	**7,897**	**0.9**
Total revenue from OBM business	**431,838**	**62.5**	**465,144**	**55.2**	**746,313**	**62.1**	**336,259**	**65.4**	**591,146**	**68.0**

Notes:

(1) In China, we primarily sell our products to distributors. We also offer our products through pure-play e-commerce channels.

(2) In other markets to which we distribute our products, such as Australia and New Zealand, we primarily sell our products to retailers. Our practices may vary in different markets subject to the local conditions.

North America

In North America, we sell our products primarily through national retailers, such as *Lowe's* and *Walmart*. To a lesser extent we sell our products through local retailers. In addition, we sell our products through pure-play e-commerce platforms such as *Amazon.com*. We monitor the inventory levels of national retailers on a regular basis.

In North America, we select our retailers based on various factors such as market share, market positioning, abilities to reach various consumer population, and reputation of the customers. To maximize the reach of our products to consumers, we strategically cover various major offline and online channels that have leading market shares and reputation among consumers, to ensure that our products are able to realize broad coverage of the consumer population. We believe that such practice is in line with general market practice and is consistent with our general sales strategies.

We have established stable business relationship with our retailers and other customers, and we believe that recent developments in China's relationships with countries such as the United States have not materially and adversely affected our ability to carry out our business with customers or business partners in North America. We have maintained good collaboration with them through various kinds of branding, sales, marketing and promotion activities, which not only enhanced the sale of our products, but also promoted our brand recognition among the consumers covering various demographical groups in North America.

We enter into framework agreements with our retailers, which usually provide, among other things, product quality warranty, product return mechanism and credit term.

- *Duration and termination*. Our retailer agreement typically provides for an initial term of two years and automatically renews for successive periods of one year unless either party gives the other written notice to the contrary at least 90 days prior to the scheduled date of renewal. The agreements may generally be terminated upon mutual consent.

- *Sales and pricing policies*. We sell our products at the prices in effect on current price list or as otherwise agreed between the parties.

- *Quality and return*. Our retailer may return products for credit or refund if (i) the product is defective upon delivery to the retailer, (ii) we initiate a product recall, (iii) the terms of applicable warranty authorize such returns or (iv) we provide prior written approval for such returns. A retailer agreement may also provide for a return allowance, which allows the retailer to recover the amount of actual returns received by the retailer that exceed such allowance.

- *Minimum purchase requirements*. We typically do not set minimum purchase requirements for retailers.

- *Payment and credit terms*. Retailers will pay amounts due pursuant to the credit terms agreed by both parties.

Our business is subject to the risk of U.S.-China trade tensions. Nonetheless, our products do not involve sensitive technologies or functions, and we have no reason to believe that the U.S. government would impose import restrictions on our products. Furthermore, as we are a provider of power tools and OPE products, we do not believe that our business would adversely affect the national interests of the United States, and therefore, we do not expect that the U.S. government would impose export restrictions on the raw materials or components sourced by us. In the event that the U.S. government imposes such export restrictions, we believe we will be able to find suitable alternative suppliers at reasonable costs and in a timely manner. Therefore, the Directors are of the view that the U.S.-China trade tension are unlikely to impede our ability to carry out our business with customers or collaboration with partners in North America, or to have a material adverse impact on our operations and financial performance in the near future. Having regard to the due diligence conducted, nothing has come to the attention of the Joint Sponsors which would cast doubt on the Director's view that the U.S.-China trade tension is not likely to impede the Company's ability to carry out its business with customers/collaboration partners in North America or its operations and financial performance in the near future.

As contingency measures to mitigate the potential impact of intensifying U.S.-China trade tensions, we will continue to explore expanding sales channels in Europe, China, Australia and other markets. In addition, we have recently established companies in the United Kingdom and New Zealand in order to better serve local customers and markets. We may consider expanding the production capacity in our Vietnam-based facility, and we have also undertaken feasibility studies over establishing additional factories in North America and Europe. Furthermore, we sought to mitigate the impact of the costs associated with U.S. tariffs primarily by (i) promoting new products with higher margins that partially cover the tariff costs, (ii) sharing tariff costs with customers or suppliers, and (iii) raising selling prices of products subject to tariffs where appropriate, taking into consideration factors such as foreign exchange rates and raw material prices. We share tariff costs with customers and suppliers only through contractual terms that are mutually agreed upon with such customers or suppliers. We negotiated with such customers or suppliers in good faith in relation to the tariff costs. Accordingly, we believe the sharing of tariff costs with customers or suppliers has not impeded, and we do not expect it to impede, our ability to carry out business with our customers or suppliers. However, we cannot provide assurances that these efforts will be effective or achieve desired outcome. If our contingency measures to mitigate the potential impact of intensifying U.S.-China trade tensions are not effective or do not achieve desired outcome, our business operations and financial performance may be materially and adversely affected. Please refer to the section headed "Risk Factors – We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected" in this prospectus for additional details. During the Track Record Period, the absolute amounts of our sales to regions outside of North America have increased from US$307.0 million in 2018 to US$402.0 million in 2020, representing a CAGR of 14.4%. From 2018 to 2020, the CAGR of sales to countries outside the United States is 19.9%.

The table below sets forth the number of distributors in North America for our branded products for the years/period indicated:

	Year Ended December 31,			January 1, 2021 to the Latest Practicable Date
	2018	2019	2020	
Number of distributors				
At the start of the period	31	31	32	26
Increase in distributors[1]	–	5	–	3
Decrease in distributors[2]	–	(4)	(6)	(3)
Total at the end of the period	31	32	26	26

Notes:

(1) The increase in the number of distributors represents those distributors that made purchases from us for the year indicated, but did not purchase from us for the year immediately preceding the year indicated.

(2) The decrease in the number of distributors represents those distributors that made purchases from us for the year immediately preceding the year indicated, but did not purchase from us for the year indicated. Such distributors may purchase from us in a subsequent year.

The table below sets out the breakdown of our revenue from major countries in North America by destination of shipment, each expressed in an absolute amount as a percentage of our total revenue, for the years and periods indicated.

Countries	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
United States	376,363	54.5	466,792	55.3	749,047	62.3	299,762	58.3	538,003	61.9
Canada	7,312	1.1	40,108	4.8	49,866	4.1	21,945	4.2	34,680	4.0
Total for North America	383,675	55.6	506,900	60.1	798,913	66.4	321,707	62.5	572,683	65.9

Europe

In Europe, we sell our products primarily to distributors and retailers. We strategically select our retailers and distributors in Europe based on various criteria, such as reputation and capability, in order to maximize the reach of our products to end users. We maintain stable business relationships with our customers.

(i) Arrangements with Our Distributors in Europe

In Europe, we enter into business agreements with our distributors. We generally provide support to these distributors such as marketing materials or promotional activities. In Germany, where our *FLEX* business is based, we may sell our products to both distributors and local retailers.

In Europe, we generally do not allow product returns except for quality issues or limited circumstances such as bankruptcies or liquidations of the distributors or retailers. While we do not set mandatory prices for our products sold through distributors, we typically provide recommended retail price ranges and regularly monitor the retail prices of our products.

(ii) Monitoring of Sales and Inventory in Europe

Our sales managers are responsible for monitoring and confirming the inventory levels of customers and distributors, which may involve telephonic, email, electronic and written communications. Starting from 2021, except for *FLEX* products, we will include a provision in new distributorship agreements that requires each distributor to provide us with data on sales and inventory levels on a monthly basis.

The table below sets forth the number of distributors in Europe for our branded products for the years/period indicated:

	Year Ended December 31,			January 1, 2021 to the Latest Practicable Date
	2018	2019	2020	
Number of distributors				
At the start of the period	167	180	214	137
Increase in distributors[(1)]	15	106	10	10
Decrease in distributors[(2)]	(2)	(72)	(87)	(2)
Total at the end of the period	180	214	137	145

Notes:

(1) The increase in the number of distributors represents those distributors that made purchases from us for the year indicated, but did not purchase from us for the year immediately preceding the year indicated.

(2) The decrease in the number of distributors represents those distributors that made purchases from us for the year immediately preceding the year indicated, but did not purchase from us for the year indicated. Such distributors may purchase from us in a subsequent year.

The decrease in the numbers of distributors in 2019 and 2020 were primarily due to the same reasons as described in the section headed "– Multi-Channel Sales and Distribution Network for Our Branded Products – Distributors – (i) Selection and Assessment Criteria for Our Distributors."

The table below sets out the breakdown of our revenue from major countries in Europe by destination of shipment, each expressed in an absolute amount as a percentage of our total revenue, for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Germany	99,714	14.4	88,966	10.6	140,699	11.8	64,618	12.7	94,231	10.8
France	35,317	5.1	51,474	6.1	40,125	3.3	18,796	3.7	23,917	2.8
UK	14,870	2.2	25,315	3.0	30,671	2.6	14,212	2.8	19,820	2.3
Other[(1)]	83,094	12.0	92,066	10.9	85,766	7.1	43,131	8.4	69,784	8.0
Total for Europe	232,995	33.7	257,821	30.6	297,260	24.8	140,757	27.5	207,752	23.9

Note:

(1) Other European countries primarily include Belgium, Czech Republic, Italy and the Netherlands.

China

In China, we primarily sell our products to distributors, who on-sell our products to other third parties including sub-distributors and local retailers. Although we consider local retailers to be an important channel for establishing connection with our end users, we do not sell our products directly to local retailers, and we do not have self-operated physical stores that sell directly to end users. We also offer our products through online channels including: (i) directly selling to end users through B2C channels such as our flagship store on *Tmall* or through our e-stores on other online platforms, and (ii) selling our products to B2B2C channels, such as *JD.com*, which maintain inventories of our products and on-sell them to end users. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our revenue from China amounted to US$56.6 million, US$61.5 million, US$69.3 million, US$38.8 million and US$61.4 million, representing 8.2%, 7.3%, 5.8%, 7.5% and 7.1% of our revenue, respectively.

Distributors

(i) Arrangements with Our Distributors in China

We enter into distributorship agreements with our distributors in China. We manage our distributors by region, and we prohibit and monitor cross-region sales primarily through establishing contractual obligations and tracking product information. We may take enforcement measures such as deducting sales rebates or terminating distributorship agreements against violations of contractual obligations regarding prohibition of cross-region sales. We also segment our distributors based on the contracted value of products and may provide marketing support, rebates or additional after-sales services for distributors in higher-value segments. We may provide sales rebates in the form of products or shelf racks, among other things, and do not offset such rebates against amounts payable by customers. We typically do not allow product returns except in limited circumstances such as quality issues or termination of distribution agreement, and we set eligibility requirements for product returns, including that the products must be (i) those included in our current product listing and (ii) returned with complete packaging.

(ii) Monitoring of Sales and Inventory

In China, we monitor order, delivery, sales performance and inventory level of our distributors, primarily through our B2B order and inventory management online platforms and periodic reporting provided by our distributors. To detect potential channel stuffing issues, we keep track of the sales performance of our distributors by (i) requiring each distributor to provide monthly inventory data on main products, which account for a substantial portion of the sales, and (ii) requiring certain large sub-distributors to provide sales data. We seek to visit each distributor and certain large sub-distributors approximately once every month to help with product purchase, inventory analysis and marketing and promotional activities. We believe that, and our Industry Consultant is also of the view that, our measures for monitoring the sales performance of our distributors in terms of the number of products covered and timing are sufficient, effective and consistent with industry norm in the relevant markets.

The table below sets forth the number of distributors in China for our branded products for the years/period indicated:

	Year Ended December 31,			January 1, 2021 to the Latest Practicable Date
	2018	**2019**	**2020**	**Date**
Number of distributors				
At the start of the period	210	203	193	185
Increase in distributors[(1)]	22	38	40	9
Decrease in distributors[(2)]	(29)	(48)	(48)	(2)
Total at the end of the period	203	193	185	192

Notes:

(1) The increase in the number of distributors represents those distributors that made purchases from us for the year indicated, but did not purchase from us for the year immediately preceding the year indicated.

(2) The decrease in the number of distributors represents those distributors that made purchases from us for the year immediately preceding the year indicated, but did not purchase from us for the year indicated. Such distributors may purchase from us in a subsequent year.

The decrease in the numbers of distributors in 2019 and 2020 were primarily due to the same reasons as described in the section headed "– Multi-Channel Sales and Distribution Network for Our Branded Products – Distributors – (i) Selection and Assessment Criteria for Our Distributors."

Pure-play E-Commerce Channels

Our pure-play e-commerce sales channels in China primarily consist of (i) B2C channels such as our flagship store on Tmall or our e-stores on other online platforms and (ii) B2B2C channels, such as *JD.com*. We have maintained good collaborative relationship with major e-commerce platforms. With respect to the B2C online platforms, we directly sell our products to end users through such platforms which may charge a commission from us. With respect to the B2B2C platforms, we generally sell our products to such platforms who then on-sell our products to end users.

Rest of the World

In other markets to which we distribute our products such as Australia and New Zealand, we primarily sell our products through retailers, whereby we will generally provide guidance in terms of branding, market positioning and sales promotion. Our practices may vary in different markets subject to the local conditions, such as business and political environment. With local resources and marketing experience, our partners facilitate our penetration of their respective markets. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our revenue from rest of the world amounted to US$17.5 million, US$17.3 million, US$35.4 million, US$13.1 million and US$27.0 million, representing 2.5%, 2.0%, 3.0%, 2.5% and 3.1% of our revenue, respectively.

Sales of Products for Our ODM Business

We design and manufacture products for retailers and industrial companies on an ODM basis. Our retail partners, such as *Lowe's*, primarily sell products to consumer end users through their retail networks. Our industrial company partners primarily distribute products to industrial/professional end users through their sales and distribution networks. Under our ODM model, we generally enter into business cooperation agreements with the relevant business partners. Major terms of such business cooperation agreements are set forth below:

- *Sale of products*. We will design, manufacture, sell and deliver contracted products bearing the trademarks of a business partner based on certain product specifications and in accordance with rolling forecasts provided by the business partner. We generally will not sell the contracted products to third parties. Prices are FOB unless otherwise specified.

- *Delivery of products*. We generally commit to delivering products to the business partner to designated locations within specified time.

- *Return of goods*. The business partner typically may return and exchange defective products. We may provide for a defective allowance, above which we will reimburse for costs of returned contracted products.

- *Warranties and indemnifications*. We may warrant that the contracted products do not infringe upon patents or other intellectual property rights owned or controlled by a third party. We may indemnify the business partner or its customers against third-party claims relating to the infringement of intellectual property rights by the contracted products unless such claims arise due to product specifications supplied by the business partner.

- *Insurance*. We typically obtain product liability insurance that covers the contracted products, and assume manufacturer's liability for damages that arise from deliveries of defective contracted products.

- *Intellectual properties*. If we achieve inventions in the exercise of our obligations arising out of the business agreement, we will own the inventions exclusively. If we and our business partner achieve inventions in the exercise of joint obligations arising out of the agreement, we and our business partner will own the inventions jointly.

- *Termination*. The agreement can be terminated by either party without cause typically by giving 6- to 12-month advance notice in writing.

Major Customers

Our customers primarily include retailers, distributors, e-commerce platforms and tool companies. During the Track Record Period, our top customers were primarily retailers with nationwide presence and ODM customers. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, revenue from our top five customers accounted for 51.7%, 56.8%, 64.8% and 64.4% of our revenue for the respective periods, and revenues from our largest customer in each period during the Track Record Period accounted for 22.9%, 20.9%, 29.0%, and 39.6% of our revenue for the respective periods. As of June 30, 2021, we had maintained business relationships with our five largest customers for three to more than 15 years.

The tables below set forth information about our top five customers during the Track Record Period.

For the year ended December 31, 2018

Customer	Location	Products/ Services provided by the Group	Sales amount	% of total revenue	Length of relationship	Settlement terms and method
			(USD'000)			
Customer A[(1)]	United States	Power tools, OPE	158,041	22.9%	20	Payment after delivery; wire transfer
Customer B[(2)]	United States	Power tools, OPE	111,147	16.1%	12	Payment after delivery; wire transfer
Customer C[(3)]	Germany	Power tools	41,055	5.9%	16	Payment after delivery; wire transfer
Customer D[(4)]	United Kingdom	Power tools, OPE	24,524	3.6%	13	Payment after delivery; wire transfer
Customer E[(5)]	France	Power tools, OPE	22,068	3.2%	17	Payment after delivery; wire transfer

Notes:

(1) The world's largest home improvement retailer based on net sales for the fiscal year ended January 31, 2021, providing home decoration and construction material products and services, with 2,298 points of sales across United States, Canada and Mexico as of August 1, 2021; had approximately 504,800 employees globally in 2020; incorporated in 1978 and NYSE-listed. (Sources: company annual report and official website.)

(2) Fortune 50 home improvement company serving approximately 20 million customers a week in the United States and Canada, providing home improvement, maintenance, repairs and commercial building maintenance products and services; operates or services more than 2,200 home improvement and hardware stores, 9 store support centers and 15 regional distribution centers, with over 300,000 employees in the United States and Canada; founded in 1921 and NYSE-listed. (Sources: company annual report and official website.)

(3) Leading global supplier of technology and services focusing on automobile parts and components, industrial products and construction products; had roughly 395,000 employees and operated in more than 400 locations across 60 countries as of December 31, 2020; founded in 1886. (Source: company official website.)

(4) International retailer covering electrical appliances, entertainment and electronics products, among others; has over 1,380 stores, 80,000 employees in 8 countries across Europe; founded in 1982 and London Stock Exchange-listed. (Sources: company annual report and official website.)

(5) Provider of home decoration products and services, including decoration, improvement, consumer DIY and kitchen; European leader and third largest global player in the home improvement and DIY market in 2020, with 500 million customers, 150,000 employees and 900 sales outlets across 20 countries as well as e-commerce channels. (Sources: company official website.)

For the year ended December 31, 2019

Customer	Location	Products/ Services provided by the Group	Sales amount	% of total revenue	Length of relationship	Settlement terms and method
			(USD'000)			
Customer A	United States	Power tools, OPE	176,292	20.9%	20	Payment after delivery; wire transfer
Customer B	United States	Power tools, OPE	170,280	20.2%	12	Payment after delivery; wire transfer
Customer D	United Kingdom	Power tools, OPE	57,648	6.8%	13	Payment after delivery; wire transfer
Customer F(1)	United States	Power tools, OPE	37,974	4.5%	17	Payment after delivery; wire transfer
Customer C	Germany	Power tools	37,015	4.4%	16	Payment after delivery; wire transfer

For the year ended December 31, 2020

Customer	Location	Products/ Services provided by the Group	Sales amount	% of total revenue	Length of relationship	Settlement terms and method
			(USD'000)			
Customer B	United States	Power tools, OPE	347,821	29.0%	12	Payment after delivery; wire transfer
Customer A	United States	Power tools, OPE	189,023	15.7%	20	Payment after delivery; wire transfer
Customer C	Germany	Power tools	115,151	9.6%	16	Payment after delivery; wire transfer
Customer G(2)	United States	Power tools, OPE	75,143	6.3%	3	Payment after delivery; wire transfer
Customer D	United Kingdom	Power tools, OPE	50,716	4.2%	13	Payment after delivery; wire transfer

Notes:

(1) The world's largest retailer for fiscal year ended January 31, 2021; has approximately 240 million customers per week, 11,400 stores across 26 countries and 2.3 million employees around the world; founded in 1962 and NYSE-listed. (Sources: company annual report and official website.)

(2) Cooperative of hardware stores providing hardware, home goods, lumber and construction materials; founded in 1924 and currently has over 5,000 stores in over 60 countries. (Source: company official website.)

For the six months ended June 30, 2021

Customer	Location	Products/ Services provided by the Group	Sales amount	% of total revenue	Length of relationship	Settlement terms and method
			(USD'000)			
Customer B	United States	Power tools, OPE	344,008	39.6%	12	Payment after delivery; wire transfer
Customer G	United States	Power tools, OPE	76,313	8.8%	3	Payment after delivery; wire transfer
Customer C	Germany	Power tools	74,762	8.6%	16	Payment after delivery; wire transfer
Customer H(1)	United States	Power tools, OPE	37,442	4.3%	8	Payment after delivery; wire transfer
Customer D	United Kingdom	Power tools, OPE	26,655	3.1%	13	Payment after delivery; wire transfer

Note:

(1) One of the world's largest e-commerce platforms, with approximately 1.3 million employees, more than 200 million customer-members and 1.9 million small and medium-sized business sellers as of December 31, 2020; founded in 1994 and NASDAQ-listed. (Sources: company annual report and official website.)

During the Track Record Period, all of our five largest customers were independent third parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest customers during the Track Record Period that is required to be disclosed under the Listing Rules. Customer C is one of the Company's top five customers and also one of its suppliers during the Track Record Period. The Company sells power tool products to Customer C on an ODM basis, and purchases an immaterial amount of components in connection with the ODM arrangement. As advised by the Company's Industry Consultant, it is common for an ODM manufacturer to purchase components from, and sells finished products to its customers.

Pricing Strategies

We price our products for external sales based on a number of factors, including costs of raw materials and production, prevailing market conditions and specification of products. Our pricing is also affected by the global and domestic economic environment, demand for our products and market competition in the power tool and OPE industries. Our pricing strategy also takes into consideration the need for maintaining the premium status of our brands and stabilizing the prices of our products throughout their life cycles. The typical product life cycle of our major products ranges from 3.5 to 5.5 years.

We cannot control the prices of our products sold through distribution channels, though we provide recommended retail prices. Distributors generally have discretion to set their retail prices. We will monitor the distributors' selling price by requiring distributors to submit periodic reports and by monitoring prices through online channels. Prior to the launch of each series of products, we determine the recommended retail price based on careful market research.

Marketing

Our marketing and brand-building activities include sponsorships, advertisements on television, print media and the internet, trade shows and exhibitions. We also have established marketing platforms on social media to promote our products and communicate with our existing and potential end users.

Sales and Marketing Team

Our internal sales staff are organized into sales teams and located in close proximity to its customers so as to bring dedicated expertise and knowledge to its customers. In order to fully serve our customers, we assign an account manager and establish a team dedicated specifically to each of our major customers. The account manager responsible for a specific customer works closely with both the customer and our employees, including staff from our research and development teams and product design and development engineers from our manufacturing facilities, in order to develop products tailored to meet that customer's specific needs. We believe that our model of maintaining close contacts between our staff, customers and end users provide for a more meaningful understanding of market trends and leads to the new products that further strengthen our customer relationships. We have established region-focused sales and marketing teams for our North America, Europe, China and Australia/New Zealand markets.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We source certain raw materials and components from qualified suppliers in order to maintain quality standards, optimize our cost structure and achieve desired scale of production. We have a dedicated team of supply chain experts that focus on deepening our supplier relationships, enforcing our quality control standards, increasing our bargaining power in raw material pricing and implementing comprehensive risk management measures throughout the procurement process. Our supply chain management system, with its data and analytics capabilities, enhances our ability to collaborate with our suppliers in order to reduce procurement costs and enhance overall operating efficiency as we seek to further expand our business globally.

Materials, Parts and Components

The key raw materials, parts and components for our operations primarily include (i) battery cells, (ii) metals such as copper and aluminum, (iii) electronic components such as printed circuit boards assembly ("**PCBA**") and (iv) plastic particle materials such as Nylon plastic (PA) and Polypropylene (PP). During the Track Record Period, we sourced raw materials from both domestic and international suppliers. In addition, chips are a key component for certain of our lithium-ion battery powered products.

During the Track Record Period, prices of our raw materials experienced certain fluctuations. We monitor and manage the impact of such fluctuations by entering into long-term strategic agreements with our suppliers, pricing the costs of raw materials based on average prices through longer time horizons and taking into account such fluctuations when pricing our products. For example, we entered into a long-term arrangement with qualified international suppliers to provide for a stable supply of battery cells. Due to the impact of the COVID-19 pandemic, we experienced shortages of certain of our raw materials, such as battery cells and chips, that affected our production schedule. Nonetheless, such shortages in battery cells and chips have not had a material adverse impact on our business, results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date. As disclosed in the "Summary" and "Financial Information" sections of this prospectus, we still experienced robust growth in revenue and gross profit during the Track Record Period and in the third quarter of 2021. In addition, we do not expect the U.S.-China trade tension to impede our ability to source chips for our products. We believe that the U.S.-China tension is more likely to affect the ability of China-based businesses to source high-end chips with cutting-edge computing capabilities. Our products do not require such high-end chips. Nonetheless, to mitigate the potential geopolitical risk, we have broadened our supplier base for chips. In the third quarter of 2021, we sourced a significant portion of our chips from China-based suppliers, and such chips have relatively lower costs compared to chips sourced from our suppliers outside of China and their quality meets our production needs. Please refer to the section headed "Risk Factors – Risks Relating to Our Industry and Business – Our results of operations could be negatively impacted by our ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner and inflationary or deflationary economic conditions." in this prospectus for additional details. During the Track Record Period and up to the Latest Practicable Date, we did not experience quality issues with our raw materials that materially affected our operations.

Supplier Management

Selection and Engagement of Our Suppliers

We develop our sourcing strategy based on our needs for raw materials and components and the availability of qualified suppliers. We generally select suppliers that can offer quality products, cost efficiency, timely delivery, production capacity and valuable customer services. We also consider our needs for technological development and security. For parts or components that will be sourced, our supply chain management ("**SCM**") department (i) develops a sourcing plan taking into consideration the requirements set forth by our research and development department, (ii) selects potential suppliers to produce test batches and (iii) prepares an approved supplier list based on quality of the final pilot batches. We determine the final pricing based on market analysis, price comparison and negotiations with our suppliers. We monitor and evaluate the performance of approved suppliers on a regular basis. Given the large scale of our purchase orders, we believe we have established credibility with our suppliers, which helps us to obtain favorable pricing for our sourced materials, parts and components. Our long-term cooperative relationship with our suppliers also promotes the stability of our supply chain.

We believe that in-house, high-quality manufacturing capabilities for core parts and components are a core competency for a provider of power tools and OPE products. Upon careful evaluation of the capabilities and capacity of existing suppliers, we have strategically developed aspects of in-house manufacturing capabilities with respect to motors, PCBA, injection molding and machining and adjusted the proportion of in-house manufacturing versus sourcing for each aspect based on our pre-defined manufacturing strategy. SCM has participated in the development of our manufacturing strategy and helps plan for the sourced portion of parts and components needed for our production.

For raw materials, parts and components of strategic importance to us, such as battery cells and chips, we build strategic relationships with our suppliers and perform systematic forecasts for our sourcing needs based on annual budgets and sales plans. In accordance our business plan, we coordinate with our key suppliers with respect to technology development, production capacity and pricing, and monitor service levels on a quarterly and monthly basis. Our inventory management system enables us to maintain an appropriate level of inventory for strategic raw materials, parts and components to meet our weekly production needs. We source other non-strategic raw materials, parts and components based on actual production needs. We will enter purchase orders that we receive from customers into our ERP system, and disaggregate them into more discrete purchase orders and delivery expectations for raw materials, parts and components that we will place with our suppliers. Such information system enables us to maintain an appropriate level of inventory, monitor the performance of suppliers and adjust the allocation of orders accordingly.

We monitor the quality of raw materials, parts and components provided our suppliers by implementing a comprehensive quality control system, which covers the end-to-end production processes such as purchase order placement, pre-delivery inspections and laboratory tests. We further utilize our ERP system to manage resource planning effectively. We also evaluate our suppliers periodically based on a range of factors, including quality and on-time delivery.

Based on the performance, delivery and quality data of suppliers and our monitoring of market prices, we will convene an interdisciplinary team involving product development, quality control and operations to periodically review and adjust our supply chains, including by engaging new suppliers, consolidate existing supplier relationships and conducting supplier training.

Payment and Credit Terms

We believe our stable network of quality suppliers enables us to flexibly mobilize resources and achieve the anticipated scale of procurement, and our comprehensive supply chain management system supports our ability to offer high-quality products at competitive prices, which in turn will boost efficiency and profitability. We typically seek to enter into long-term agreements with our strategic suppliers. For other suppliers, we renew a supplier framework agreement on an annual basis. Our payment methods include wire transfers and supply chain financing, among others. Our annual purchase agreement with suppliers include payment terms, which typically include a monthly settlement cycle.

Subcontracting

We have engaged certain subcontractors, including both (i) whole product manufacturers, to which we outsource the entire manufacturing processes of certain products, and (ii) production partners, to which we outsource certain steps of manufacturing processes. We engage whole product manufacturers primarily to supplement our production capacities. For example, for certain non-core products over which we do not have sufficient capacity or cost efficiency, we may outsource such products to whole product manufacturers to meet customer demands, while taking measures such as inspections to ensure the product quality meets our standards. We engage production partners primarily to complete certain non-core manufacturing steps more cost efficiently, such as spray painting. In such cases, we typically ship the components or semi-finished products to the facilities of the sub-contractors, who will then complete the outsourced manufacturing steps and ship the components or products back to us. We also will conduct inspections to ensure that the manufacturing steps are completed pursuant to our standards. In the years ended December, 31, 2018, 2019 and 2020 and six months ended June 30, 2021, our revenue attributable to whole product subcontracting was US$106.5 million, US$67.3 million, US$70.2 million and US$36.9 million, respectively, which amounted to 15.4%, 8.0%, 5.8% and 4.2% of our revenue during the same year or period. For the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, our subcontracting costs amounted to US$73.7 million, US$47.1 million, US$44.4 million and US$23.0 million, respectively, which amounted to 14.3%, 8.0%, 5.3% and 3.7% of our cost of sales during the same year or period.

We carefully select subcontractors among a pool of reputable candidates. We evaluate the potential subcontractors in terms of, among other aspects, qualifications, technical skills, product quality, workplace safety and delivery commitments. We require our subcontractors to comply with our internal policies and closely monitor their performance. In the event of any failure by our subcontractors to meet our internal policies, we may cease to work with them or claim damages. We apply testing to ensure that the sourced products meet our product specifications, quality standards and customers' expectations. We have generally maintained long-term relationships with our subcontractors, and all of our subcontractors are independent third parties.

The salient terms of the agreements with our representative whole product manufacturers are set forth below:

- *Price*. Whole product manufacturers will generally supply products at the prices agreed in purchase orders.

- *Delivery*. Whole product manufacturers are typically responsible for transporting products to designated places and bearing the associated expenses and costs.

- *Warranty period*. Typically 36 months, unless otherwise agreed between the parties.

- *Product liability*. Whole product manufacturers generally indemnify us for product liability resulting from defects of products manufactured by them.

- *Duration and termination*. Generally three years, automatically renewed in one-year terms unless terminated by either party by six-month advance notice.

The salient terms of the agreements with our representative production partners are set forth below:

- *Price*. Production partners will provide the services at a price confirmed in writing by the parties.

- *Warranty period*. Typically 36 months, unless otherwise agreed between the parties.

- *Components, parts and materials*. We are generally responsible for providing components, parts and materials required for the outsourced manufacturing steps, either for free or at a cost mutually agreed upon by the parties.

- *Product liability*. Production partners generally indemnify us for product liability resulting from defects of products supplied by them.

- *Payment terms*. Generally 90-day payment period, unless otherwise agreed between the parties.

- *Duration and termination*. Generally five years, automatically renewed in one-year terms, unless terminated by either party by 90-day advance notice.

Major Suppliers

During the Track Record Period, our top suppliers primarily include providers of battery cells, electronics parts and components and logistics and warehouse services. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, purchases from our largest five suppliers in aggregate accounted for 18.2%, 19.7%, 24.8% and 20.6% of our total purchases for the respective periods, and purchases from our largest supplier in each period during the Track Record Period accounted for 10.9%, 11.9%, 16.1% and 12.6% of our total purchases for the respective periods. Our key suppliers are primarily located in China, Korea, Germany, the United States. As of June 30, 2021, we had maintained business relationships with our five largest suppliers for five to over ten years. We generally have the flexibility to seek alternative suppliers for our sourcing needs.

For the year ended December 31, 2018

Supplier	Location	Products/ services received by the group	Purchase amount	% of total purchase	Length of relationship	Settlement terms and method
			(USD'000)			
Supplier A[(1)]	China and Korea	Lithium-ion battery cells	61,631	10.9%	8	Payment after delivery; wire transfer
Supplier B[(2)]	United States	Logistics and warehouse	15,947	2.8%	5	Payment after delivery; wire transfer
Supplier C[(3)]	Germany	Vacuum cleaners	8,676	1.5%	10	Payment after delivery; wire transfer
Supplier D[(4)]	China	Enameled wires	8,458	1.5%	18	Payment after delivery; wire transfer
Supplier E[(5)]	China	Angle grinders	8,384	1.5%	15	Payment after delivery; wire transfer

Notes:

(1) Provider of lithium-ion battery, automobile battery, lithium-ion energy system and electronic materials; founded in 1970 and currently has operations in 27 locations, including 12 production facilities and 13 sales sites, in 12 countries and regions across Asia Pacific, Europe and North America; Korea Exchange-listed. (Sources: company annual report and official website.)

(2) Provider of logistics solutions, including delivery and e-commerce operation, transportation management and materials handling equipment; founded in 1950; currently has 90 distribution facilities comprising 30 million square feet of space, and serves over 200 customers across a wide range of industries. (Source: company official website.)

(3) One of the world's leading manufacturers of professional cleaning equipment, including floorcare equipment, vacuum cleaners and high pressure washers; founded in 1906 and has approximately 4,500 employees across 40 countries, with sales companies reaching approximately 100 countries through direct sales and dealers; Nasdaq Copenhagen-listed. (Sources: company annual report and official website.)

(4) Provider of enameled wires, bare copper wires and electric wires and cables; has approximately 438 employees with annual production capacity of approximately 60,000 tons. (Source: company official website.)

(5) Provider of electrical equipment, power electronic devices, auto parts and components, metal tools, electric tools and air tools; has approximately 94 employees. (Source: company official website and commercial database.)

For the year ended December 31, 2019

Supplier	Location	Products/ services received by the group	Purchase amount	% of total purchase	Length of relationship	Settlement terms and method
			(USD'000)			
Supplier A	China and Korea	Lithium-ion battery cells	76,395	11.9%	8	Payment after delivery; wire transfer
Supplier B	United States	Logistics and warehouse	19,317	3.0%	5	Payment after delivery; wire transfer
Supplier F(1)	China	Lawn mowers, small air blowers and axial blowers	13,623	2.1%	15	Payment after delivery; wire transfer
Supplier G(2)	China	Battery holder components, battery pack covers, cases and handles	8,944	1.4%	10	Payment after delivery; wire transfer
Supplier E	China	Angle grinders	8,503	1.3%	15	Payment after delivery; wire transfer

Notes:

(1) Provider of power tools, gardening metal tools, plastic products and materials, metal products, motors, chemical raw materials and construction materials; founded in 1999 and has approximately 800 employees and sells about 2 million garden tool products worldwide on an annual basis; serves as an OEM manufacturer for brand customers globally, such as distributors, importers, manufacturers and retail stores. (Source: company official website.)

(2) Provider of power tools accessories, press parts, auto parts and components, aluminum die casting and warehousing services; has approximately 25 employees. (Source: company official website and commercial database.)

For the year ended December 31, 2020

Supplier	Location	Products/ services received by the group	Purchase amount	% of total purchase	Length of relationship	Settlement terms and method
			(USD'000)			
Supplier A	China and Korea	Lithium-ion battery cells	124,399	16.1%	8	Payment after delivery; wire transfer
Supplier B	United States	Logistics and warehouse	30,296	3.9%	5	Payment after delivery; wire transfer
Supplier H(1)	United States	Marketing	14,116	1.8%	6	Payment after delivery; wire transfer
Supplier F	China	Lawn mowers, small air blowers and axial blowers	11,752	1.5%	15	Payment after delivery; wire transfer
Supplier I(2)	China	Power MOS devices	11,301	1.5%	7	Payment after delivery; wire transfer

Notes:

(1) Provider of advertising services; founded in 1998 and currently has 250 employees across four offices in the United States. (Source: company official website.)

(2) Provider of electronic products, electromechanical devices, communication devices, computer software and hardware, and product-related technologies focusing on the automobile industry; founded in 2008 and had 290 employees as of December 31, 2020; sells products primarily to customers in Greater China and the Asia Pacific region; Shenzhen Stock Exchange-Listed. (Sources: company annual report and official website.)

For the six months ended June 30, 2021

Supplier	Location	Products/ services received by the group	Purchase amount	% of total purchase	Length of relationship	Settlement terms and method
			(USD'000)			
Supplier A	China and Korea	Lithium-ion battery cells	87,003	12.6%	8	Payment after delivery; wire transfer
Supplier B	United States	Logistics and warehouse	20,398	3.0%	5	Payment after delivery; wire transfer
Supplier H	United States	Marketing	15,207	2.2%	6	Payment after delivery; wire transfer
Supplier I	China	Power MOS devices	10,938	1.6%	7	Payment after delivery; wire transfer
Supplier J(1)	China	Plastic particles	8,577	1.2%	17	Payment after delivery; wire transfer

Note:

(1) Provider of plastics, synthetic materials and composite materials, as well as products made of the above materials; founded in 2010 and has approximately 626 employees; subsidiary of a Shanghai Stock Exchange-listed company. (Source: company official website and commercial database.)

All of our five largest suppliers are independent third parties of our Group. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers during the Track Record Period that is required to be disclosed under the Listing Rules. During the Track Record Period and up to the Latest Practicable Date, none of the ultimate controlling shareholders of our five largest suppliers is a connected person of ours as defined under the Hong Kong Listing Rules.

Based on management judgements formed primarily through the proportion of our purchase amount relative to a supplier's revenue, several suppliers had significant reliance on us in terms of their sales of raw materials and components, such as injection molded parts, wiring harnesses and magnetic steel. One of such suppliers, Supplier G, is among our top five suppliers in 2019. Our purchases from Supplier G in 2019 primarily included battery holder components, battery pack covers, cases and handles, which amounted to US$8.9 million or 1.4% of our total purchases during the year. We believe that these supplier relationships have not resulted, and will not result in material risks to our supply chain, and that we will be able to find suitable replacements for our existing suppliers at reasonable costs as there are other suppliers that can provide comparable materials or components.

LOGISTICS, TRANSPORTATION AND INVENTORY MANAGEMENT

Logistics and Transportation

We manage transportation and delivery of finished products to customers, and engage third party logistics services providers to provide such services. Our logistics service providers help us (i) transport raw materials, parts and components between our production facilities and warehouses, (ii) transport finished goods internationally and (iii) transport finished goods to designated warehouses of customers.

Inventory Management

To monitor our finished product inventory levels and minimize obsolete inventory, we have a strict inventory control policy and closely monitor sales records of our distributors and retailers. We have established a comprehensive inventory management policy, which consists of First In, First Out ("**FIFO**") and First Expired, First Out ("**FEFO**") principles, as well as processes for cycle counting, re-inspection and disposal, among other aspects. In order to reduce inventory surplus and age, we utilize our ERP and warehouse management system, or WMS system to monitor the stock level of raw materials, parts and components, work-in-progress and finished products. Through various data feeds from these systems, we are able to access information from many of our major distributors and retailers including sales volume fluctuation, unit selling price movement, volume of inventory on hand and inventory turnover.

Our inventory includes finished products, components (i.e. work-in-progress), and raw materials.

- *Finished products*. We design and implement manufacturing plans to accommodate our sales and maintain reasonable inventory levels. Our production planning involves setting manufacturing targets over the year based on annual sales estimates and monthly delivery schedules.

- *Work-in-progress*. We produce work-in-progress in batches to adapt to the rolling sales estimates and to match the manufacturing plans for our finished products.

- *Raw materials*. We monitor our inventory levels of raw materials and make periodic adjustments to match our procurement plans with our manufacturing plans, based on the integrated information sharing platform under the MES system and ERP system. Please refer to "– Information Technology Systems" below for additional details.

We stock certain components, parts and raw materials to be used in our in-house production. Through accurate production planning, close coordination with our customers and suppliers, as well as making frequent purchases in batches from our suppliers, we are able to carry a manageable level of in-progress inventories, which lowers our inventory risk.

For the years ended December 31, 2018, 2019 and 2020, and for the six months ended June 30, 2021, our inventory turnover days were 150 days, 159 days, 129 days, and 97 days, respectively. Please see the section headed "Financial Information – Analysis of Selected Statement of Financial Position Items – Inventories" in this prospectus for more details.

QUALITY CONTROL

Overview

We have devoted substantial resources to quality control since the founding of our business. We established an advanced testing center in 1997 and obtained ISO9001 certification for our quality management system in 2003. Our quality control system encompasses all aspects of our operations, including product design and development, sourcing of raw materials, parts and components, production, packaging, inventory storage, delivery and after-sales services. As of June 30, 2021, we had over 400 quality control personnel.

Based on over 20 years of experience in implementing the ISO9001 standards, we have established and continuously improved our quality control system. We are subject to external reviews on an annual basis, which involve both comprehensive and target reviews of our quality control system, product certifications and production facilities. Meanwhile, our quality control audit team, which had more than 30 full-time employees as of June 30, 2021, is responsible for conducting internal reviews on an annual basis. Through such external and internal reviews, we continuously identify opportunities for improvement and resolve issues based on a closed-loop process. Our *CHERVON* testing center based in Nanjing, PRC conducts thorough tests and assessments on our products to ensure that they conform with relevant standards. For details of our testing center and its qualifications, please see "– Research and Development – Research and Development Capabilities" below.

Our products are sold worldwide and are subject to different safety standards and quality requirements depending on where they are sold. We also adopt the appropriate quality control system and engage independent product testing and certification organizations to test and certify our products on the relevant standards of each target market. For example, our products are certified by UL in North America, Conformite Europeene ("**CE**") Mark in Europe and China Compulsory Certificate ("**CCC**"), which represent leading product safety and quality standards in the respective market.

As a result of our commitment to adherence to quality control procedures, we did not experience any material sales returns or any material product liability or major legal claims due to quality control issues, and we did not recall any products during the Track Record Period and up to the Latest Practicable Date. See the section headed "Risk Factors – Risks Relating to Our Industry and Business – We are subject to various regulatory and customer-imposed guidelines and may not be successful in maintaining an effective quality control system." in this prospectus for more details.

Quality Control Measures

Below is a summary of our quality control measures throughout the end-to-end product development, procurement, production, delivery and after-sales processes.

Product Development

We place great emphasis on quality management during the product development phase. Our quality control over research and development has continuously improved based on a rigorous product development process, advanced IT systems and a dedicated quality control team. We have designed our research and development process in accordance with leading industry practices and strict quality control measures, such as the Failure Modes and Effects Analysis ("**FMEA**"). Our research and development center operates an independent quality control team, which is responsible for quality planning, process quality inspections and testing plan development.

Procurement

Before placing large-volume orders with new suppliers, we evaluate them based on a range of factors, including the quality of raw materials, parts and components and the ability to meet our delivery timelines. We source raw materials, parts and components only from a list of approved suppliers. Once the sourced materials, parts and components are delivered to us, we apply Incoming Quality Control ("**IQC**") measures to ensure that we only use raw materials, parts and components that meet our quality standards. We also conduct reviews and inspections of suppliers and resolve quality issues in accordance with a closed-loop issue management process.

Production

We have established a vertically integrated production system, which enables us to manufacture core components in-house, such as motors, PCBA, machining and injection molding, in order to maintain close control over key parameters during the production process, make improvements based on quality-related feedback and promote the quality of finished products. We have also devoted substantial resources to the automation of production and testing, error prevention and machine vision inspections, which we believe will enable us to enhance our quality control capabilities. Furthermore, we have built a comprehensive quality testing and inspection team, with established roles such as IQC, In-Process Quality Control ("**IPQC**") and Outgoing Quality Control ("**OQC**") that cover key steps such as sourcing, production and packaging. In addition, we have established specialized laboratories that possess advanced testing capabilities such as chemical and physiochemical tests. Leveraging leading industry practices, we have established our own *CHERVON* production system, which includes aspects of quality control and quality assurance. We have also devoted substantial resources into information technology systems such as our Quality Management System ("**QMS**"), in order to enhance our quality control capabilities and maintain high quality standards for our products.

Our manufacturing facilities are subject to periodic inspections and examinations conducted by relevant government authorities. They inspect our manufacturing processes, quality control measures and products to determine our compliance status and to identify areas for further improvement. During the Track Record Period and up to the Latest Practicable Date, we did not receive any written notice or sanction for material non-compliance, violation, or recommendation for improvement with respect to our production operations from the government authorities.

Packaging and Logistics

Our packaging team ensures that the packaging standards required by our customers are met prior to product delivery. We typically hire professional logistics service providers to transport products for us and keep track of our products during the transportation process.

Warehousing

Our finished products are first packaged and stored at our warehouses before being transported and delivered to customers. In China, we operate five warehouses in Nanjing, Jiangsu Province. We also utilize warehouses operated by third-party logistics providers to service certain overseas markets, to enable us to deliver products to our customers within a competitive timeframe. We conduct regular inspections on our warehousing conditions in accordance with our internal guidance. We also have a dedicated team with systematic training to ensure the proper condition and operations of our warehouses to minimize fire hazards and other similar risks to our products.

Warranty and After-Sales Services

We believe that high quality after-sales services constitute an essential factor that determines our success because it extends the value chain of our products and promotes customer and end-user satisfaction. We have been developing and optimizing our after-sales services since the establishment of our proprietary brands.

Our after-sales services cover product support, as well as repair, return and exchange of defective products. We have established a variety of channels for our end users to contact us for after-sales services, including in person at points of sale, through online CRM system, and over the phone. We have implemented a cloud-based CRM system to record, track and maintain our end-user relationships, which enables us to respond to end-user needs in an efficient and timely manner and to continuously improve end-user experience based on insights generated from the CRM system.

In North America, we have established a call center and product repairs support teams and also engage with third-party call centers to meet the needs of our end users. In addition, we have a network of over 460 authorized service centers that are located close to our points of sales across North America and can provide repair services for our end users. In other regions of the world, we primarily engage with a network of third-party service providers and distributors to provide comprehensive after-sales services for our end users. In order to continuously improve our products, our quality control team analyzes insights generated from our after-sales services network and obtains first-hand information on product quality and end-user feedback by conducting inspections of returned goods at our service centers.

Consumers can replace defective products or request repairs for defective products within certain time periods, in compliance with regulatory requirements or our policies or the relevant retailers' policies on the return, replacement and repair of products. Consumers may also replace their products for specific types of defects or quality issues pursuant to our warranty policies or applicable laws and regulations. We believe that, and Frost & Sullivan, our Industry Consultant, is also of the view that, our product return policy is in line with the general market practice in our industry. In 2018, 2019, 2020 and the six months ended June 30, 2021, the amount of returned products was US$10.6 million, US$17.5 million, US$23.7 million and US$4.5 million, respectively, which amounted to 1.5%, 2.1%, 2.0% and 0.5%, respectively, of our revenue for the relevant years/periods. During the Track Record Period and up to the Latest Practicable Date, we did not receive complaints from customers that materially and adversely affected our results of operations.

Under our general terms and conditions of sale and in accordance with industry practice, we typically provide a limited warranty on our products providing for the return, repair or replacement of defective items or a credit with respect to amount paid for such items. While the terms of the warranties provided by us differ depending on the type of products, customer and geographic market, they generally range from one to five years.

INFORMATION TECHNOLOGY SYSTEMS

We have in place information technology systems and infrastructure that are designed to meet our business and operational needs with respect to research and development, sales management, procurement, production, financial reporting and human resources, among other aspects. Our main information technology systems include the following:

- *ERP system*. We utilize the enterprise resource planning, or ERP, system to retrieve and analyze our operational data to support decision-making and increase productivity and profitability. The ERP system covers various aspects of our operations, including manufacturing, financial accounting, forecast and planning, purchasing, order management, enterprise performance management and human capital management.

- *MES system*. We utilize the manufacturing execution system, or MES, to support our production process. The system enables real-time monitoring of production process by recording the progress of each production line and transmit production-related data, including volume, time and labor, to a centralized database. The system also enables our production planning department to monitor production loading and capacity, order scheduling and production scheduling plan. In addition, we deployed this system to boost production efficiency at our manufacturing facilities, including quality management, energy management and environmental and waste management. Data collected from our manufacturing process feeds into our ERP system for further consolidation, analysis and reporting.

- *SRM system.* We utilize the supplier relationship management system, or SRM system, to support business transactions and communications between us and our suppliers, including placing orders, managing inventories and measuring supplier performance.

- *WMS system.* We utilize the warehouse management system, or WMS system, to manage, control and monitor our warehouse operations. Primary functions of the WMS system include identifying inventory records, shipment details, stock locations and warehouse capacity. We also integrate the WMS with other systems such as ERP and SRM to streamline information flow and increase productivity.

- *CRM system.* We utilize customer relationship management system, or CRM system, to manage relationships and interactions with our current or potential customers. The CRM system encompasses the end-to-end customer lifecycle, including marketing, sales, promotion, digital commerce, and customer services.

- *PLM system.* We are upgrading our PLM system to seamlessly integrate CAD, data and software into a platform to facilitate collaborate and project management, which we believe will improve the efficiency of our research and development efforts.

- *BI system and big data platform.* We utilize the business intelligence system, or BI system, to transform complex data into actionable insights in order to support our decision-making and strategic and operational planning. The BI system combines data gathering, storage, analysis and reporting, as well as knowledge management capabilities.

We intend to continuously maintain and update our information technology systems to keep up with the growth of our business.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations to address operational, financial, legal and market risks identified in relation to our operations, which include but are not limited to procurement management, sales management, inventory management, research and development management, investment management, credit risk, related party transaction controls, information disclosure controls, human resources, IT management and other financial and operational controls and monitoring procedures. These risk management policies set forth procedures the relevant reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing our overall risk management. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand financial management and accounting policies and implement them in our daily operations. As of June 30, 2021, our finance department consisted of 85 employees.

Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided. Our information technology department is responsible for ensuring the security of our information technology infrastructure and ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with applicable rules and regulations. In accordance with our procedures, our legal & compliance department performs reviews and update the forms of contracts we enter into with our customers and suppliers. Our legal & compliance department also examines the contract terms and reviews relevant documents for our business operations, including licenses and permits obtained by the counterparties and other due diligence materials, before we enter into any contracts or business arrangements.

To ensure compliance with the applicable securities or financial markets laws, rules and regulations, we have adopted the following internal control measures. Based on document reviews and testing, our internal control consultant did not identify any insufficiency or ineffectiveness of the control measures.

(a) we have put in place connected transactions management policies for all of our Directors and employees to comply with;

(b) we have established the Audit Committee comprising three independent non-executive Directors to oversee the internal control procedures and accounting and financial reporting matters of our Group. Pursuant to its terms of reference, one of the duties and obligations of the Audit Committee is to ensure our Group's compliance with the relevant regulatory requirements and to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;

(c) we have engaged external legal advisers to assist us, as needed, in reviewing payment arrangements and agreements to be entered into by us and/or matters associated with business operated by our Group in the future as well as to advise us on compliance with applicable laws, rules and regulations; and

(d) regular training given by external legal advisers will be arranged for all of our Directors, company secretary and senior management members so as to discuss and study the relevant regulatory requirements in relation to our responsibilities and duties under the laws and regulations relevant to our business operations.

We also have in place detailed internal procedures to ensure that our legal & compliance department reviews our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our legal & compliance department is responsible for obtaining requisite governmental pre-approvals or consents, including preparing and submitting necessary documents for filing with relevant government authorities within prescribed regulatory timelines. As of June 30, 2021, our legal & compliance department consisted of 6 employees.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Our human resources department regularly organizes internal training sessions conducted by internal or external experts on topics of interest. Our human resource department schedules online training sessions, reviews the content of the training programs and follows up with employees to evaluate the impact of such training. Through these trainings, we ensure that our staff's skill sets remain up-to-date, enabling them to better discover and meet consumers' needs.

We have in place an employee handbook approved by our management and distributed to all of our employees, which contains internal rules and guidelines regarding best commercial practices, work ethics, fraud prevention mechanism, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. We make our internal reporting channel available for our staff to report any corruption acts, and our staff can also make anonymous reports to our internal audit department. Our internal audit department is responsible for investigating any reported incidents and taking appropriate measures. We conduct risk-based due diligence before hiring any third party and ensure that the hiring procedure is implemented fully in accordance with the anti-bribery policy. We also have regular training for employees regarding the anti-bribery policy to facilitate implementation of the policy. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any anti-bribery incident by our employees in relation to our customers.

Investment Risk Management

Our investment strategy is grounded in the principles of compliance, prudence, safety and effectiveness. We consider the following criteria in making investment decisions:

- Size, expected returns and associated risks;
- Compliance with applicable laws and regulations;
- Consistency with our growth strategy;
- Appropriateness of enterprise resource allocation; and
- Optimization of our portfolio.

We set up investment plans in line with our business strategies with inputs from various business departments. An investment budget is set up based on our business strategies every year. We generally intend to hold our investments for the long term. With surplus cash on hand, we may also make investments in cash management products to generate finance income at a yield higher than the current bank deposit interest rates, with an emphasis on capital preservation. Each investment decision is made based on internal vetting and discussions, considering factors such as market dynamics, expected returns and risks involved.

We believe that our internal strategy and policies regarding investments and the related risk management mechanisms are adequate, and that our investment decisions have been in full compliance with our investment strategy and policies.

HEDGING

We may enter into foreign currency forward contracts and foreign currency option contracts with banks to mitigate the currency risk arising from certain of our bank loans and receivables denominated in US dollars and euro. We also may enter into interest rate swaps contracts with banks to mitigate the risk of interest rate fluctuations arising from bank loans at floating interest rates. See Note 21 to the Accountants' Report set forth in Appendix I to this prospectus. We do not enter into hedging transactions for speculative purposes.

As of December 31, 2018, 2019, 2020 and June 30, 2021, we primarily had the following foreign exchange forward and option contracts: (i) US$0.5 million, US$1.0 million, US$5.8 million and US$3.1 million of assets in foreign currency forward and option contracts, respectively, and (ii) US$3.6 million, US$1.3 million, US$0.3 million and US$0.6 million of liabilities in foreign currency forward and option contracts, respectively. In a typical foreign currency forward contract, one party agrees to buy from another party a certain amount of foreign currencies on a specific future date at a predetermined foreign exchange rate, in order to reduce the level of risks arising from foreign exchange fluctuations. Please refer to the section headed "Risk Factors – We are exposed to counterparty risk in our hedging arrangements." and "Risk Factors – We are exposed to market risk from changes in foreign currency exchange rates which could materially and negatively impact our profitability."

The following table illustrates the effect of hypothetical fluctuations in foreign exchange rates on our profit or loss after taxation and retained profits for the years and periods indicated, assuming all other factors affecting our profitability remained unchanged. Such effect is estimated by the following method: (i) for each of the Company's subsidiaries and assuming that the US dollar or euro appreciates or depreciates by one percent against the functional currency of the relevant subsidiary at the end of a reporting period, calculate the effect of such appreciation or depreciation on the relevant subsidiary's profit or loss after taxation and retained profits and (ii) aggregate such effects at the Group level. A subsidiary's functional currency is the currency in which the subsidiary's assets and liabilities are primarily denominated.

	Year ended December 31,						Six months ended June 30, 2021	
	2018		2019		2020			
	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits
	%	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*
	(in thousands, except for percentages)							
USD	1	93	1	902	1	968	1	853
	(1)	(93)	(1)	(902)	(1)	(968)	(1)	(853)
EUR	1	111	1	255	1	57	1	289
	(1)	(111)	(1)	(255)	(1)	(57)	(1)	(289)

Note:

This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in foreign exchange rates only.

For further details, please refer to Note 37(d)(ii) of the Accountants' Report in Appendix I of this prospectus.

TRANSFER PRICING POLICY

Our Company and our subsidiaries conduct intra-group sales of products, provisions of services and other related party transactions in accordance with our transfer pricing policy. We follow the fundamental principle that inter-company transactions must be conducted at an arm's length basis. We have established and implemented guidelines, processes, documentations and controls with respect to inter-company transactions to ensure that the execution of transfer pricing methods is applied consistently in our day-to-day operations. In order to comply with the applicable law and regulations on transfer pricing in relevant jurisdictions, including OECD Transfer Pricing Guidelines and recent update of Base Erosion and Profit Shifting ("**BEPS**") guidance, we engaged independent tax advisers to prepare master and local files and country-by-country reports to meet the requirements of local tax offices in the countries where we have major operations.

Our intra-group transactions primarily arise from the following relationships: (i) product sales from our subsidiaries which operate manufacturing facilities, such as Nanjing Chervon Industry, to trading subsidiaries, such as Chervon HK, (ii) provisions of services, including consulting, marketing support and research and development etc from subsidiaries which have service functions, such as Chervon GmbH, to other subsidiaries, such as EGO Europe GmbH, (iii) office rental and canteen charges for facilities located in Nanjing, PRC, and (iv) royalty fees, including FLEX brand license fees paid from Chervon HK to FLEX Elektrowerkzeuge GmbH. The aggregate amounts of intra-group transactions for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 were US$744.4 million, US$997.4 million, US$1,125.8 million, US$454.1 million and US$821.7 million, respectively.

We have engaged independent transfer pricing consultants to conduct transfer pricing reviews of our intra-group cross-border transactions. In conducting the reviews, the independent transfer pricing consultants performed the following procedures:

- Reviewed our financial results, tax records and correspondence with relevant tax authorities;
- Reviewed quantitative information, including indicators such as return on sales and cost-plus;
- Reviewed the Group's practices against transfer pricing rules in relevant jurisdictions;
- Discussed with management of our Group to understand the functions and risks undertaken by our subsidiaries; and
- Sampled and reviewed our Group's pricing data and benchmarked them against comparable transactions from companies operating in similar industries or carrying on similar businesses, which are sourced from databases that are widely used in the relevant industries.

The transfer pricing reviews covered our ten main subsidiaries across eight jurisdictions, including the PRC, Hong Kong, the United States, Canada, Australia, Germany, the Netherlands and Vietnam. In accordance with applicable laws and regulations in the relevant jurisdictions, the independent transfer pricing consultants primarily adopted the following transfer pricing methodologies to conduct the transfer pricing reviews: (i) transactional net margin method and (ii) comparable profit method. Due to differences in local tax laws and regulatory requirements, certain transfer pricing reports for FLEX-Elektrowerkzeuge GmbH, FLEX-Verwaltungs GmbH and Skil B.V. for the years of 2018, 2019 and 2020 are still under preparation as of the Latest Practicable Date. We expect to complete such reports in the first half of the year of 2022. After consulting with our independent transfer pricing consultants, we were not aware of (i) any materially non-compliant or unusual transfer pricing policies adopted by the relevant entities or any other relevant Group members or (ii) any material changes in the transfer pricing policies and compliance of the relevant entities since the last issued reports.

After consulting with the independent transfer pricing consultants and upon reviewing the corresponding reports, we believe our intra-group transactions were executed in accordance with the Group's transfer pricing strategy and methodology to ensure they are at arm's length and in compliance with international and local transfer pricing regulations in all material respects. Therefore, we believe there is no potential material exposure of tax payable.

In 2016 and 2017, FLEX Italia S.r.l ("**FLEX Italia**"), our Italy-based subsidiary, was subject to a tax audit by, and received a tax assessment notice from, the Italian Tax Police in connection with certain transactions carried out between FLEX Italia and certain other FLEX entities during fiscal years 2013, 2014 and 2015. The Italian Tax Police alleged that FLEX Italia improperly deducted costs associated with the purchase of finished goods from FLEX-Elektrowerkzeuge GmbH and purchase of support services rendered by FLEX-Verwaltungs GmbH. As of the Latest Practicable Date, the case in connection with tax assessments for fiscal years 2013 and 2014 was under arbitration at the Office for Advanced Rulings and International Disputes of the Revenue Agency in Rome, Italy. In December 2021, FLEX Italia received an additional tax assessment notice from the Italian Tax Police regarding transactions carried out between FLEX Italia and certain other FLEX entities during fiscal year 2015. The aggregate potential tax liability of FLEX Italia in connection with this tax dispute is estimated to be approximately 186.3 thousand euros (US$210.6 thousand), which represents the amount of additional tax liabilities alleged in the Italian Tax Police's assessment notice for the fiscal years 2013-2015 (net of interest due). We believe that such dispute has not had, and will not have, a material adverse impact on our results of operation or financial condition.

Based on the foregoing and after consulting with our transfer pricing consultants, our Directors are of the view that the Group is in compliance with applicable transfer pricing laws and regulations in all material respects in relevant jurisdictions and that our transfer pricing arrangements did not involve tax evasion. Based on the due diligence conducted, nothing has come to the attention of the Joint Sponsors for them to disagree with the Directors' view above.

COMPETITION

The power tools and OPE industries are relatively concentrated and highly competitive, and we face competition in all aspects of our business. We generally compete with other global and domestic leaders in the power tool and OPE industries. As confirmed by our Industry Consultant, despite the relative concentration of the industry, there are more than 1,000 market players in the global power tool and OPE markets. We compete on the basis of what we consider to be the principal competitive factors in our industry, including our reputation for product quality, emphasis on product innovation and development, the breadth of our product lines, our well-known brands and our strong customer relationships and after-sales services. We also experience significant competition for highly skilled personnel, including management, engineers, designers and product managers, as our growth depends in part on our ability to retain our existing personnel and recruit highly skilled employees.

We maintain our competitive position and seek to gain market shares from our competitors by providing innovative products, maintaining high-quality standards and managing our brand strategy to offer different products to different customer segments.

According to the Frost & Sullivan Report, the global power tool market is expected to grow at a CAGR of 5.5% from US$39.2 billion in 2020 to US$51.3 billion by revenue in 2025, and the electric power tool segment is expected to grow at a CAGR of 5.9% from US$29.1 billion to US$38.6 billion in 2025, in each case by revenue. In 2020, we represented 1.7% of the global power tool market and 2.3% of the global electric power tool market by revenue. The competitive landscape of global electric power tool market is relatively concentrated, as the top 10 players accounted for approximately 73.3% of market shares by revenue in 2020. Set forth below are descriptions and market shares (by revenue) of the top five market players in the global electric power tool market.

Rank	Company	Market Share
1	Company A(1)	16.6%
2	Company B(2)	16.0%
3	Company C(3)	14.9%
4	Company D(4)	6.9%
5	Company E(5)	6.3%

Notes:

(1) Founded in 1985, Company A (Hong Kong Stock Exchange-listed) offers power tools, accessories, hand tools, outdoor power equipment, and floorcare equipment. Company A maintains a global manufacturing (across Europe, North America, China, Mexico and Vietnam) and product development footprint with over 48,000 employees. (Sources: Frost & Sullivan Report; Company A's annual report and official website.)

(2) Founded in 1886, Company B is a leading Stuttgart, Germany-based, global supplier of technology and services focusing on automobile parts and components, industrial products and construction products. Company B operates four business sectors: mobility solutions, industrial technology, consumer goods and energy and building technology. As of December 31, 2020, Company B had roughly 395,000 employees and operated in more than 400 locations across 60 countries. Company B has manufacturing footprints across Europe, North America and China. (Sources: Frost & Sullivan Report; Company B's official website.)

(3) Founded in 1843, Company C (NYSE-listed) is a U.S.-based global provider of hand tools, power tools and related accessories, engineered fastening systems and products, services and equipment for oil & gas and infrastructure applications, commercial electronic security and monitoring systems, healthcare solutions, and automatic doors. As of January 2, 2021, the Company had approximately 53,100 employees in over 60 countries. Company C has manufacturing footprints across Europe, North America and Asia. (Sources: Frost & Sullivan Report; Company C's annual report and official website.)

(4) Founded in 1915, Company D (Tokyo Stock Exchange-listed) is a Japan-based global manufacturer of power tools, gardening equipment, and similar products. As of March 31, 2021, Company D had approximately 18,624 employees. Company D has manufacturing footprints across Japan, China, the U.S., the U.K., Germany, Brazil, Romania and Thailand. (Sources: Frost & Sullivan Report; Company D's official website.)

(5) Founded in 1941, Company E is a Schaan, Liechtenstein-based provider of power tools, system solutions, software and services. Company E's products cover powder-actuated fastening, drilling and demolition, diamond coring and cutting, measuring, firestop, screw fastening, adhesive and mechanical anchoring, and strut and hanger systems. Company E has approximately 30,000 employees in more than 120 countries. Company E has manufacturing footprints across Europe, North America, China and India. (Sources: Frost & Sullivan Report; Company E's official website.)

According to the same report, the global OPE market is expected to grow at a CAGR of 5.3% from US$25.0 billion in 2020 to US$32.4 billion in 2025, and the electric OPE market is expected to grow at a CAGR of 8.0% from US$4.7 billion in 2020 to US$6.9 billion in 2025, in each case by revenue. We represented 2.1% of the global OPE market and 11.4% of the global electric OPE market. The competitive landscape of global electric OPE market is highly concentrated, as the top 10 players accounted for approximately 88.4% of market shares by revenue in 2020. Set forth below are descriptions and market shares (by revenue) of the top five market players in the global electric OPE market.

Rank	Company	Market Share
1	Company A	20.4%
2	Our Company	11.4%
3	Company C	10.4%
4	Company B	10.4%
5	Company J[(1)]	10.1%

Note:

(1) Founded in 2002, Company J is a PRC-based provider of outdoor power equipment for both consumers and landscaping professionals. Company J also manufactures private label products, as well as other products as original equipment manufacturers. Company J has manufacturing footprints across China and the U.S. (Sources: Frost & Sullivan Report; Company J's official website.)

Please refer to the section headed "Industry Overview – Competitive Landscape" for further details.

PROPERTIES

We occupy certain properties in China and overseas in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our manufacturing facilities, warehouses and offices.

As of the Latest Practicable Date, none of the properties owned or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(1) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 38(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings.

Our Owned or Leased Properties in the PRC

To carry out our principal operations in China, we have three parcels of owned land, three owned properties and 11 leased properties primarily for industrial use, factories and offices.

Owned Land and Properties

As of the Latest Practicable Date, we owned three parcels of land with an aggregate site area of approximately 378,654.02 sq.m.

Our headquarters are located in Nanjing, PRC, where we owned three properties with an aggregate floor area of approximately 220,203.53 sq.m. used as manufacturing facilities and offices to support our business operations as of the Latest Practicable Date. A substantial majority of our employees are based in Nanjing, PRC.

Our PRC Legal Adviser confirmed that, as of the Latest Practicable Date, we had obtained all relevant properties title certificates and other relevant land use rights certificates for our material manufacturing facilities in China.

Leased Properties

As of the Latest Practicable Date, we leased 11 properties in Nanjing, Hangzhou and Changchun, PRC, with an aggregate floor area of approximately 133,439 sq.m. used as manufacturing facilities, offices and warehouses to support our business operations.

Title defects

As of the Latest Practicable Date, we were not provided with a valid title certificate in respect of one of our leased properties, which covers a total gross floor area of approximately 4,790 sq.m., or 3.59% of our total leased properties. The leased property with title defects has been used as our temporary warehouse. In the event that the validity of such lease is challenged by third parties, we will have to relocate to other premises. We believe we will be able to seek an alternative location with comparable rent rates within a reasonable period of time. There are no safety issues associated with the leased property with title defects. Our Directors believe that such title defects individually or collectively would not materially affect our business and results of operations.

Non-registration of Lease Agreements

As of the Latest Practicable Date, we had not completed the registration of all 11 lease agreements relating to our leased properties in PRC. These leased properties had an aggregate gross floor area of approximately 133,439 sq.m. These non-compliance incidents were primarily caused by lack of cooperation from the landlords in registering lease agreements. We were advised by our PRC Legal Adviser that we might be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration. The maximum potential penalties in connection with the non-registration of our lease agreements are RMB110,000 (US$17,267.9).

As of the Latest Practicable Date, we did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the leases described above. Our PRC Legal Adviser has advised us that the failure to register the lease agreements would not affect the validity of the lease agreements. For more information relating to risks associated with this non-compliance, please refer to the section headed "Risk Factors – Risks Relating to Our Industry and Business – Defects related to certain properties leased by us in China may adversely affect our ability to use such properties" in this prospectus. Although we may be fined by the relevant authorities, given the maximum amount of the potential penalties is relatively low, our Directors believe that there will not be any material adverse impact on our overall business, financial conditions or results of operations.

Going forward, we will renew our lease for a certain property only if such property: (i) is compliant with all environment, health and safety laws and regulations, (ii) is not subject to any dispute, lawsuit or other factors that may affect our use, (iii) offers quality property management service, and (iv) is located at a place with sufficient substitute properties in case we cannot renew our lease. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

As advised by our PRC Legal Adviser, the leased properties with certain defects will not, individually or in the aggregate, materially and adversely affect our business and operation.

Our Properties in Jurisdictions outside the PRC

We own and lease certain properties in jurisdictions outside the PRC including but not limited to Vietnam, Germany, United States, France, United Kingdom and Australia. Such properties are mainly used for purposes such as offices, production facilities and research and development centers.

INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness, and we devote significant time and resources to their development and protection. As of June 30, 2021, we had more than 1630 patents, more than 570 registered trademarks as well as certain domain names globally.

We rely upon a combination of patent, trade secret, copyright and trademark laws, license agreements, confidentiality procedures, nondisclosure agreements with employees, customers and others, and technical measures to protect intellectual property used in our businesses. In addition, our employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works. If we are unable to protect our patents, copyrights, trademarks and domain names adequately, that could have a material adverse effect on our business and prevent us in establishing and maintaining our brands.

We also rely on certain intellectual property rights licensed from third parties. These third-party licenses may not continue to be available to us on commercially reasonable terms. Our loss of or inability to maintain or obtain upgrades to any of these licenses could significantly harm us. In addition, because we license content from third parties, we may be exposed to copyright infringement actions if those parties are subject to claims regarding the origin and ownership of that content. Furthermore, despite our precautions, third parties may obtain and use intellectual property that we own or license without our consent.

During the Track Record Period, we were involved in certain intellectual property-related legal proceedings or claims, and such claims and legal proceedings individually or in aggregate have not had and would not have, any material financial or operational adverse impact on us. However, future unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See the section headed "Risk Factors – Risks Related to Our Industry and Business – Our business depends in part on our ability to protect our intellectual property rights and operating without infringing on the rights of third parties" in this prospectus for more details.

Below is a summary of the intellectual property-related lawsuits filed against our subsidiaries during the Track Record Period and up to the Latest Practicable Date. None of these cases have had, or are expected to have, a material adverse effect on our business or results of operations.

Settled Cases

- On January 21, 2020, an intellectual property legal services provider filed a lawsuit in the United States against Chervon NA, alleging patent infringement involving certain battery packs for cordless power tools. The parties have reached a settlement agreement on April 20, 2020, whereby the plaintiff has granted Chervon NA and its subsidiaries a non-exclusive and non-sublicensable use of the relevant patent for US$40,000.

- On April 20, 2021, a power tool provider filed a lawsuit in the United States against Chervon NA alleging infringement of a non-registered trademark. The parties reached a settlement on June 25, 2021, whereby Chervon NA paid US$18,000 in legal costs to the plaintiff.

Because the two above cases were settled before the courts ruled on the merits of the disputes, we were not found by the courts to have infringed on the intellectual property rights of the plaintiffs. Furthermore, the settlement agreement in each case stipulates that we make no admission as to the alleged infringement, and the parties are mutually released from each other's claims.

Ongoing Case

- On February 23, 2018, a battery pack manufacturer and a research institution jointly filed a lawsuit in the United States against Chervon NA, primarily alleging patent infringement involving the *EGO POWER+* batteries for electric OPE. The discovery stage of the case is close to completion as of the Latest Practicable Date, and based on the advice from our legal counsel on this case, we do not expect the amount of damages to be claimed by the plaintiffs will be material.

We have established a comprehensive policy that enables us to manage risks related to intellectual property violations. The policy is embedded into the overall product development process, covering product definition, research and development, manufacturing and sales. The policy also sets forth roles and responsibilities for company teams such as technical supervisors, research engineers and patent analysts with respect to identifying and mitigating relevant risks. Please refer to the section headed "– Risk Management and Internal Control – Internal Control Risk Management" for further details.

Based on the due diligence conducted on, among other things, (i) the background and impact of the intellectual property-related lawsuits, (ii) the litigation and compliance records of the Company and the Directors and (iii) the internal control measures adopted by the Company, and taking into account the relevant experience and track record of the Directors, nothing has come to the attention of the Joint Sponsors with respect to the intellectual property-related lawsuits which would cast doubt on Directors' competence and integrity to manage the Company's business in a law-abiding manner and their suitability to act as directors of a listed company under Rules 3.08 and 3.09.

INSURANCE

We maintain various insurance policies, including:

- Property damage all risk insurance on our fixed assets, equipment and inventory;

- Marine cargo insurance;

- Credit insurance;
- Third-party liability insurance to cover claims in respect of personal injury or property damage arising from accidents; and
- Product liability insurance.

The product liability insurance applies to our products. The marine and cargo insurance covers losses of shipments in connection with our distribution to certain destinations and applies to our shipments worldwide. We maintain product liability insurance up to such value that we consider customary and sufficient for our industry and products. To mitigate our product liability risk, we place significant emphasis on quality assurance.

EMPLOYEES

We place great emphasis on attracting, retaining, training and developing qualified employees. As of December 31, 2018, 2019 and 2020, we had a total of 4,073, 4,535 and 5,084 employees, respectively. The table below sets out the number of our employees by function as of June 30, 2021.

Functions	Number of employees	% of total employees
Production and supply chain management	3,839	69.5
Sales and marketing	712	12.9
Product development and management	680	12.3
General and administration	293	5.3
Total	**5,524**	**100.0**

We primarily recruit our employees through on-campus recruiting programs, recruitment agencies and online channels including our corporate website and social networking platforms.

We seek to accelerate the career progression of our talents through rewarding developmental initiatives such as graduate programs, international exchanges and job rotations, leadership development for frontline supervisors and managers, as well as comprehensive merit-based succession planning. These initiatives will be funded by cash generated from our business operations. We have established systematic training programs for our employees based on their positions and expertise. We also provide our employees with continuing training by internal and external experts to expand their professional knowledge and skills.

As part of our retention strategy, we offer competitive remuneration packages to our employees, including salary and allowances, performance-based bonuses and long term incentive programs, including but not limited to employee stock ownership plan for managers, high-potential talent and key technical professions. In general, we determine remuneration packages based on each employee's qualification, position and seniority. We have established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

As required under PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. In addition to regulatory social insurances, we also provide supplemental commercial health and life insurances to secure the health and wellbeing of our employees and their families.

We enter into standard labor contracts and confidentiality agreements with our employees.

We believe that we maintain a constructive working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations.

ENVIRONMENTAL, OCCUPATIONAL, HEALTH AND SAFETY

We are subject to evolving and increasingly stringent environmental, occupational, health and safety laws and regulations. We impose safety and anti-pollution measures as well as internal safety and environmental inspections at all stages of the production process to minimize the possibility of work-related accidents and injuries, occupational illness and environmental contamination. We believe that our operations are in substantial compliance with the terms of applicable health, safety and environmental laws and regulations as currently interpreted in all material respects. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or other penalties due to non-compliance in relation to environmental, health or occupational safety laws and regulations and have not been involved in any significant accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

Compliance with more stringent laws, regulations and enforcement policies may require additional expenditures by us that may materially affect our consolidated financial condition, results of operations or cash flows. Refer to the sections headed "Regulatory Overview" and "Risk Factors – Risks Related to Our Industry and Business – We are subject to national and local environmental and health and safety directives, laws and regulations." in this prospectus for more details.

Health and Safety Regulation

We are subject to health and safety laws and regulations in the jurisdictions in which we operate. For example, in the PRC, we are subject to various workplace safety regulatory requirements such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》). In the United States, we are subject to certain labor and employment laws regarding workplace safety. In Germany, we are subject to the laws of the European Union as well as certain local regulations. Our products must meet safety standards in the jurisdictions in which they are sold and/or used. In addition, because lithium is deemed a dangerous substance under relevant regulations, we must package and transport our lithium-ion batteries and products containing such batteries in accordance with relevant international and national laws and regulations.

We have established a dedicated safety management department, which is responsible for handling production safety accidents and keeping records. We also have in place comprehensive work safety policies and procedures to promote compliance with applicable laws and regulations, which primarily include the following:

i. *Officers accountability system*. We have set out clear guidance in the safety policies and procedures in relation to the responsibilities of personnel at all levels in each of our operating departments and manufacturing facilities.

ii. *Well-established work safety system*. Our work safety system standardizes our operations such that our employees can easily adhere to our safety guidance to follow the appropriate work practices.

iii. *Training*. We provide regular safety-related training and monthly production safety briefings to our employees to raise awareness of workplace safety issues. In addition, we have adopted emergency plans for our manufacturing facilities that designate the responsible personnel and response procedures in the event of occupational health and safety emergencies.

iv. *Regular inspections*. We carry out regular safety checks on our production equipment at our manufacturing facilities to ensure that the equipment is thoroughly tested and safe for use on a daily or weekly basis.

v. *Accident investigation and corrective measures*. We maintain a system of recording, handling, investigating and reporting accidents on a timely basis in order to develop measures to avoid similar accidents.

vi. *Performance evaluation*s. Work safety is an important factor in our annual performance evaluations.

During the Track Record Period and up to the Latest Practicable Date, we have not had any material incidents of work-related injuries or casualties or been penalized for any material non-compliance relating to work safety laws and regulations.

Environmental Regulation

We are subject to extensive air, water and other environmental laws and regulations the jurisdictions in which we operate, including the PRC, United States and Germany. For example, in the PRC, we are subject to environmental regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and the Law of Prevention and Treatment of Environmental Pollution by Solid Wastes (《固體廢物污染環境防治法》). In the United States, we are subject to certain federal, state and municipal laws governing the release of pollutants into the water, air and soil. In Germany, we are subject to various environmental initiatives promulgated by the European Union and transposed into German law, such as certain requirements for the ecodesign of energy-related products. Government agencies that are charged with enforcing these laws and regulations generally have the authority to inspect our facilities at any time.

We have implemented measures to promote compliance with applicable laws and regulations related to environmental protection. These measures include strengthening mechanical ventilation in our factories, installing soot purifiers in our employees' kitchens and enhancing sewage treatment. We believe our manufacturing process does not generate hazards that have any significant adverse effect on the environment and our environmental protection measures are adequate to comply with applicable laws and regulations.

We focus on developing materials-recycling and energy use measures to decrease our environmental impact. We seek to recycle returned products and process scraps to reduce the waste we send to landfill or to incineration facilities. We also sell our factory wastes to local materials-recycling facilities, among which part of these wastes are sent to our suppliers for recycling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We seek to be a leader in fulfilling environmental, social and governance ("**ESG**") responsibilities by championing employee development, supporting social causes and exploring ways to protect the environment. We help build a better world by actively participating in philanthropic activities involving education, disaster relief and infrastructure for underdeveloped regions.

The Board is responsible for evaluating and managing material ESG issues. Company management is responsible for developing the Company's ESG strategy, policy and reporting, including assessing and managing climate-related risks, with oversight provided by the Board. For environmental matters, our Environmental, Health and Safety ("**EHS**") department and equipment management department are responsible for managing environmental and climate-related risks arising from our business operations. The EHS department identifies key environmental factors, establishes operational control requirements and procedures and conducts relevant monitoring and inspections. The EHS department also reviews and updates the operational control procedures on an annual basis in accordance with changes to key environmental factors, applicable laws and regulations and compliance assessments. Our internal Culture Committee is responsible for coordinating the social activities such as charity donations and community volunteering.

We have established a set of internal policies with respect to ESG issues covered under relevant international standards. For environmental matters, we have adopted policies related to (i) reduction of greenhouse gas emissions, (ii) use of environmentally friendly resources, (iii) treatment of exhaust gas, sewage and solid waste and (iv) conservation of energy, among other aspects. For social matters, we have adopted policies related to (i) production safety, (ii) product quality, (iii) employee health, promotion, compensation, benefits and training and (iv) employee complaint handling and relevant privacy protection measures, among other aspects. We conduct periodic reviews to monitor our compliance with the above policies.

Our business and manufacturing operations for power tools and OPE products generate (i) exhaust gas, sewage and solid waste that if left untreated, would have a negative impact on the environment and (ii) greenhouse gas that may lead to climate-related risks. We are committed to sustainability and environmental protection as we continue to grow our revenue and expand our production facilities. We have adopted comprehensive measures to mitigate environmental impact from our business, strategy and financial performance in the near, medium and long term, as summarized below:

Focus area	**Key measures**
Green products	• Design and manufacture power tool and OPE products powered by lithium-ion batteries, which help alleviate air pollution and reduce environmental noises
Exhaust gas management	• Adopt exhaust gas treatment system and install active carbon filters
Greenhouse gas management	• Increase the use of clean energy such as solar and ground source heat • Use energy efficient equipment at production facilities
Sewage management	• Install sewage treatment system
Solid waste management	• Require proper handling and disposal of solid waste • Set up hazardous waste storage sites in accordance with relevant standards and establish standardized hazardous waste management system • Engage qualified third-party suppliers for solid waste disposal
Energy and resource conservation	• Increase the use of solar power and ground source heat • Improve energy-saving features at production facilities, such as energy management system and energy-saving transformers • Conserve water by recycling rain water and installing low-flow valves

Further, we monitor the following metrics to assess and manage the environmental and climate-related risks arising from our business and manufacturing operations:

Resource consumption

- *Electricity consumption*. We monitor our electricity consumption levels at the production facilities and implement measures such as increasing the use of solar power and ground source heat to improve energy efficiency. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, our electricity consumption levels were 24.1 million kWh, 28.0 million kWh, 33.2 million kWh and 18.8 million kWh, respectively.

- *Water consumption*. We monitor our water consumption levels at the production facilities and implement measures such as recycling rain water and installing low-flow valves to promote water conservation. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, our water consumption levels were 338.4 thousand tons, 308.1 thousand tons, 341.6 thousand tons and 212.7 thousand tons, respectively.

Pollutant management

- *Exhaust gas discharge*. We monitor our exhaust gas discharge levels on a periodic basis. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, our exhaust gas discharge levels were 5.0 tons, 0.5 tons, 1.1 tons and 0.6 tons, respectively, and such exhaust gas was properly treated prior to discharge.

- *Sewage discharge*. We monitor our sewage discharge levels on a periodic basis. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, our sewage discharge levels were 270.7 thousand tons, 246.5 thousand tons, 273.3 thousand tons and 170.1 thousand tons, respectively, and such sewage was properly treated prior to discharge.

- *Hazardous waste discharge*. We monitor our hazardous waste discharge levels on a periodic basis. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, our hazardous waste discharge levels were 289 tons, 148 tons, 134 tons and 119 tons, respectively, and such waste was disposed by qualified third parties.

For further details related to our policies relating to environmental matters, health and workplace safety, please see the paragraph headed "– Environmental, Occupational, Health and Safety" in this section.

Set forth below is a summary of our recent key initiatives with respect to social responsibility and environmental protection.

Social Responsibility

Since our founding, we have strived to be a responsible corporate citizen for our society and the world in which we work and live. We are actively involved in social causes, including various short- and long-term projects in close cooperation with non-profit organizations. In 2013, we commenced our annual *CHERVON* "Charity Run" (愛跑) initiative to encourage our employees to exercise for health, while also supporting our social welfare undertakings. As of April 30, 2021, we have donated more than RMB1.3 million in proceeds from the Charity Run initiative to support our "Water Cellar" project that benefited the drought-stricken area in western China, our "Ya'an post-disaster school reconstruction" (四川雅安災後學校重建) projects and other social initiatives. Since 2016, we have been part of the Spring Bud Learning Support (春蕾助學) initiative through donation and volunteer teaching to help support education in Northern Jiangsu (蘇北). In 2020, the initiative changed its name to New Bud Learning Support (新芽助學) and expanded the coverage to a wider population of economically disadvantaged children who possess high intellect and moral character.

In February 2020, we undertook several initiatives to help prevent the spread of the COVID-19 pandemic, including donations and a fund-raising campaign that resulted in total proceeds of over RMB 1.2 million.

Due to our efforts in connection with fulfilling our social responsibilities, we received the Social Responsibility Award from the China Europe International Business School in 2018.

Environmental Protection

As a manufacturing business, we understand our critical role in environmental protection and have been applying the concepts of "green, low-carbon emission and eco-efficient" to our business growth and development. After years of research and development, we commercialized one of the first high-voltage OPE products under our *EGO* brand. Unlike traditional gasoline engines products that generate noises and pollutions, our *EGO* OPE products are designed to help significantly reduce carbon emissions while enhancing user experience.

We seek to minimize our environmental impact through developing and integrating environmentally sustainable practices into our operations. Our environmental initiatives and awards include, but are not limited to the following:

- ***CHERVON's Green Roof***. In 2004, we installed the "Green Roof" system on the buildings of our research and development headquarters, covering roof areas of approximately 7,000 sq.m.. The system uses green plants as roofing materials to insulate heat and filter rainwater, and it can reduce oil consumption by approximately 35,000 liters per year.

- ***CHERVON's Blue Roof***. We equipped our *CHERVON* Green Power Industrial Park (泉峰新能源工業園) based in Nanjing, PRC with new technology and equipment, including a rooftop photovoltaic power station that can generate solar power of 2,000 megawatt hours and reduce CO2 emissions by approximately 730 tons per year. The solar water heating system on the facility collects solar heat and can save approximately 244 tons of standard coal on an annual basis. The production facility is also equipped with solar street lights, which can save approximately 4.5 tons of standard coal on an annual basis.

- ***Using the Earth to Save the Earth***. We equipped our *CHERVON* Green Power Industrial Park with an advanced ground-source heat-pump system that is designed to provide for air conditioning in the buildings. Applying advanced geothermal technologies, this system uses the earth itself as a heat source in the winter and a heat sink in the summer, which translates into an annual reduction of CO2 emissions by approximately 839 tons.

- ***Environmental Vendor***. We earned the LEEDS certification for Leadership in Energy and Environmental Design for our North America headquarters in Naperville, Ill. This newly constructed building hosts more than 100 of our employees.

In 2021, we have qualified for and obtained a "green loan" of approximately US$10.0 million from a leading international bank based on our fulfillment of our social responsibilities by reducing annual carbon emissions.

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition with respect to our products, research and development capabilities, including but are not limited to the following:

Awards/Recognition	Entity/Product	Awarding Authority/Entity	Year of Award/ Recognition
Industry			
Red Dot Design Award	Various *FLEX* products	Nordrhein Westfalen Design Center	2018
Pro-Tool Innovation Award	Various *EGO* and *SKIL* products	Pro-Tools Reviews	2019 to 2020
Plus X Award	Various *FLEX* products	Media Society Networks	2019 to 2020
Australian Business Award (ABA100)	Various *EGO* products	Award Base	2020
Partner of the Year 2018	*CHERVON*	Home Depot	2018
Environmental Partner of Year 2019	*CHERVON*; *EGO* lithium-ion battery OPE product line	Home Depot	2019
Vendor Partner of the Year in the Power Tool Division	*CHERVON*	Lowe's	2020

Awards/Recognition	Entity/Product	Awarding Authority/Entity	Year of Award/ Recognition
Leading Enterprise Laboratory in Chinese Power Tool Industry	*CHERVON* Testing Center	Productivity Promotion Center of Electric Tool Industry (電動工具行業生產力促進中心)	2021
Government			
High and New Tech Enterprises (國家高新技術企業)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	Department of Science and Technology of Jiangsu Province; Department of Finance of Jiangsu Province; Jiangsu Provincial Tax Service, State Taxation Bureau; Jiangsu Provincial Tax Service, Local Taxation Bureau	2016
Jiangsu Province Engineering Research Center of Renewable Energy Tools (江蘇省新能源工具工程技術研究中心)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	Jiangsu Provincial Department of Science and Technology	2016
Brand Name Product of Nanjing (南京市名牌產品)	*DEVON* wood work series of power tools and *EGO* OPE products	Nanjing Municipal People's Government	2017
Gold Award for Industrial Design, Designated by Jiangsu Province ("江蘇省工業設計"金獎)	*EGO*; string trimmers	Department of Industry and Information Technology of Jiangsu Province	2018
Model Smart Factories – Power Tool Smart Logistical Production Lines, Designated by Jiangsu Province (江蘇省示範智慧車間–動力工具智慧物流車間)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	Department of Industry and Information Technology of Jiangsu Province; Department of Finance of Jiangsu Province	2018
National Green Factories, Designated by PRC Ministry of Industry and Information Technology (中華人民共和國工業和資訊化部國家綠色工廠)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	Department of Industry and Information Technology of Jiangsu Province	2019

Awards/Recognition	Entity/Product	Awarding Authority/Entity	Year of Award/ Recognition
National Industrial Design Center (國家級工業設計中心)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	PRC Ministry of Industry and Information Technology	2019
Global Brand Name and Leading Enterprise Support and Development in Jiangsu Province (江蘇省重點培育和發展的國際知名品牌和領軍企業)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司); *EGO* products	Department of Commerce of Jiangsu Province	2017 to 2019
Jiangsu Provincial Strategic Development Plan for Enterprise Intellectual Property Rights ("江蘇省企業智慧財產權戰略推進計畫"承擔單位)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	Intellectual Property Office of Jiangsu Province	2020
Excellence Award for Design Patent in Nanjing City (南京市優秀外觀專利獎)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司); blower products	Intellectual Property Office of Nanjing	2020

CERTIFICATES, LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Adviser, as of the Latest Practicable Date, we had obtained all requisite certificates, licenses, permits and approvals from relevant authorities that are material for our operations in the PRC and such certificates, licenses, permits and approvals are valid and effective.

The following table sets out a list of material certificates, licenses, permits and approvals currently held by our subsidiaries in the PRC.

Import and Export Qualifications and Permits

Certificate/License/Permit/Approval	Holder	Expiration Date
Registration Certificate of the Customs of the People's Republic of China for the Declaration Enterprises (報關單位註冊登記證書)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	N/A[(1)]
Registration of Foreign Trade Business Operators (對外貿易經營者備案登記表)	Chervon (China) Tools Sales Co., Ltd (泉峰(中國)工具銷售有限公司)	N/A[(1)]

Certificate/License/Permit/Approval	Holder	Expiration Date
Registration Certificate of the Customs of the People's Republic of China for the Declaration Enterprises (報關單位註冊登記證書)	Chervon (China) Tools Sales Co., Ltd (泉峰(中國)工具銷售有限公司)	N/A(1)
Registration of Foreign Trade Business Operators (對外貿易經營者備案登記表)	Chervon (China) Trading Co., Ltd. (泉峰(中國)貿易有限公司)	N/A(1)
Registration Certificate of the Customs of the People's Republic of China for the Declaration Enterprises (報關單位註冊登記證書)	Chervon (China) Trading Co., Ltd. (泉峰(中國)貿易有限公司)	N/A(1)

Note:

(1) The license or permit remains effective indefinitely as long as we comply with all applicable requirements.

Environmental Permits

Certificate/License/ Permit/Approval	Holder	Address	Expiration Date
License for the Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可證)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	No. 99 West Tianyuan Road, Jiangning Economic and Technological Development Zone, Nanjing, Jiangsu Province, 211106	Aug. 29, 2024
Pollutant Discharge Permit (排污許可證)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	No. 159 Jiangjun Avenue, Jiangning Economic and Technological Development Zone, Nanjing, Jiangsu Province 211106	Dec. 22, 2022
License fort the Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可證)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	No. 529, Jiangjun Avenue, Jiangning Economic and Technological Development Zone, Nanjing, Jiangsu Province 211106	Sep. 28, 2023
Registration Receipt for Pollutant Discharge of Fixed Pollution Sources (固定污染源排污登記回執)	Nanjing Chervon Industry Co., Ltd (南京德朔實業有限公司)	No. 529, Jiangjun Avenue, Jiangning Economic and Technological Development Zone, Nanjing, Jiangsu Province 211106	Apr. 11, 2025

As of the Latest Practicable Date, we have obtained all licenses, permits, approvals and certificates that are material and necessary for our material business operations outside the PRC, and such licenses, permits, approvals and certificates are valid and effective.

The following table sets out a list of material certificates, licenses, permits and approvals currently held by our subsidiaries in Germany. There are no required licenses, permits, approvals or certificates in jurisdictions outside of the PRC and Germany that are material to our business operations.

Certificate/License/Permit/Approval	Holder	Expiration Date
LUCID Registry (registration of packaging manufacturer/importer pursuant to the German Packing Act)	Flex Elektrowerkzeuge GmbH	N/A[(1)]
Battery Act – Federal Environment Agency Reporting Register (Registration regarding recycling of batteries)	Flex Elektrowerkzeuge GmbH	N/A[(1)]
Register EAR – Foundation for Waste Electrical Equipment Register (various registrations pursuant to the German Electrical Act)	Flex Elektrowerkzeuge GmbH	N/A[(1)]
LUCID Registry (Registration of packaging manufacturer/importer pursuant to the German Packing Act)	EGO Europe GmbH	N/A[(1)]
Landbell AG für Rückhol-Systeme (Registration and licensing regarding recycling of packaging pursuant to the German Packing Act)	EGO Europe GmbH	N/A[(1)]
Battery Act – Federal Environment Agency Reporting Register (Registration regarding recycling of batteries)	EGO Europe GmbH	N/A[(1)]
Register EAR – Foundation for Waste Electrical Equipment Register (various registrations pursuant to the German Electrical Act)	EGO Europe GmbH	N/A[(1)]

Note:

(1) The license or permit remains effective indefinitely as long as we comply with all applicable requirements.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we have been, and may in the future be, involved in arbitration, litigation or regulatory proceedings relating to various aspects of our operations in the ordinary course of our business. See the section headed "Risk Factors – Risks Related to Our Industry and Business – Our failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact our results of operations or cash flows." in this prospectus for more details. We are currently not a party to any material legal or administrative proceedings.

From time to time, we settle certain of the litigations we have been involved in. We believe none of these settlements have a material adverse effect on our financial results and reputations.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. As such, we did not make any provisions for any legal proceedings or claims during the Track Record Period.

Compliance

The following table sets forth our non-compliance incidents under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to these incidents:

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and maximum penalties	Remedies and rectification measures taken
According to the Chinese Social Insurance Law (《中華人民共和國社會保險法》) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance. According to the Regulations on Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》), we are required to make housing provident fund contributions for our employees. During the Track Record Period, we failed to make contributions to the social insurance and housing provident funds with respect to certain of our employees, most of whom are production line workers, in full amount as required by the relevant PRC laws and regulations. In the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, we estimate the shortfall amounts of such social insurance and housing provident fund contributions were RMB14.1 million, RMB15.4 million, RMB17.0 million and RMB10.0 million, respectively.	These non-compliance incidents occurred primarily because: (i) we have a large labor force with relatively high mobility and (ii) a certain number of our production line workers were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary.	Our PRC Legal Adviser has advised us that, under PRC laws and regulations, in respect of outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, we estimate that the shortfall amounts of such social insurance contributions were RMB10.6 million (US$1.7 million), RMB11.6 million (US$1.8 million), RMB12.8 million (US$2.0 million) and RMB7.5 million (US$1.2 million), and the corresponding late payment fees that we may be liable for are RMB1.9 million (US$0.3 million), RMB2.1 million (US$0.3 million), RMB2.3 million (US$0.4 million) and RMB0.7 million (US$0.1 million), respectively. This amounts to a total of RMB7.0 million (US$1.1 million) in maximum late payment fees that we may be liable for. If we are ordered to make such payment by competent government authorities, we will do so within the prescribed time period and we do not expect to incur fines for the outstanding amounts of social insurance contributions. Our PRC Legal Adviser has also advised us that, in the event that we fail to pay the housing provident funds in full amount, the housing provident fund administrative center will order us to pay the amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application may be made to the People's Court for compulsory enforcement. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2021, we estimate that the shortfall amounts of such housing funds contributions were RMB3.5 million (US$0.6 million), RMB3.8 million (US$0.6 million), RMB4.2 million (US$0.7 million) and RMB2.5 million (US$0.4 million), respectively. If we were ordered to make such payment, we will do so within the prescribed time period, and we do not expect to incur late payment fees or fines for any outstanding amounts of contributions.	Our PRC Legal Adviser is of the opinion that the risk of us being fined is remote provided that we pay the unpaid amount for social insurance and housing provident funds in full amount in a timely manner after receiving notices to rectify such noncompliance from the relevant PRC authorities. As of the Latest Practicable Date, (i) we had not been subject to any administrative actions, fines or penalties due to such non-compliance, (ii) we had not received any notification from the relevant PRC authorities requiring us to pay for or otherwise make up the shortfalls or any overdue charges with respect to social insurance contributions or housing provident fund contributions, and (iii) we were not aware of any employee complaints filed against us nor were we involved in any material labor disputes with our employees with respect to social insurance or housing provident fund contributions. Considering relevant regulatory policies and the facts stated above and the confirmations we have received from both the competent PRC authorities and our employees, the PRC Legal Adviser is of the view that the likelihood that our PRC subsidiaries will be subject to centralized collection of historical shortfalls and any penalty due to the failure to make full social insurance or housing provident fund contributions for employees of our PRC subsidiaries that will cause a material adverse effect on our business is remote.

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and maximum penalties	Remedies and rectification measures taken
		We have obtained confirmations from relevant competent authorities confirming that there was no record of our PRC subsidiaries being penalized for any incidents of non-compliance or breach of the laws and regulations in relation to social insurance contributions and housing provident funds from January 1, 2018 to June 30, 2021. For social insurance, the relevant competent authorities are Nanjing Municipal Social Insurance Management Center (南京市社會保險管理中心) and Nanjing Municipal Human Resources and Social Security Bureau, Jiang Ning District (南京市江寧區人力資源和社會保障局). For housing provident funds, the relevant competent authority is Nanjing Housing Provident Fund Management Center, Jiang Ning Sub-center (南京住房公積金管理中心江寧分中心). As of the Latest Practicable Date, we did not receive any notice from any regulatory authority to rectify the above non-compliance. For more information relating to risks associated with this non-compliance, please refer to the section headed "Risk Factors – Risks Relating to Our Industry and Business – We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations" in this prospectus.	We are committed to being fully compliant with applicable laws and regulations, and have begun to implement measures to rectify our non-compliance with social insurance and housing provident funds laws and regulations. We undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities. Going forward, we will use our best efforts to fully comply with the regulatory requirements. We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees. We have enhanced our internal control measures, including enhancing policy on social insurance and housing provident fund contributions in compliance with relevant PRC laws and regulations. In addition, we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis. We will continue to consult our corporate legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments. We will provide senior management, human resources department and relevant staffs with training regarding the legal and regulatory requirements applicable to our operations. We expect to gradually rectify our social insurance and housing provident fund contributions of our employees beginning in the second half of 2021. Our compliance with social insurance and housing provident fund contributions is in part subject to cooperation from our employees, who may not be receptive and may have a different attitude towards such contributions due to the requirement that they co-contribute. Based on document reviews and sample testing, our internal control consultant did not identify instances of inadequate or ineffective controls in connection with social security and housing provident fund contributions. Based on the foregoing, our Directors are of the view, and the Joint Sponsors concur, that the enhanced internal controls are adequate and appropriate and therefore, the Company is not unsuitable for listing. Considering the facts and the rectification measures discussed above, we did not make any provision for the shortfall of the social insurance and housing provident fund contributions, and such non-compliance will not have a material adverse effect on our financial condition or results of operations. Our Directors believe there will not be any material adverse impact on our overall business, financial conditions or results of operations as a result of the above-mentioned non-compliance.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER(S)

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Pan through Panmercy will control an aggregate of 54.28% of the issued share capital of our Company. Therefore, Mr. Pan and Panmercy will be our Controlling Shareholders.

DELINEATION OF BUSINESS

Business of our Group

We design, develop and manufacture a wide range of (i) power tools for industrial/professional and consumer end-users and (ii) OPE products for premium and mass-market end users. See the section headed "Business" in this prospectus for further details of our business and operations.

Other businesses of our Controlling Shareholder

Apart from our business, Mr. Pan, our Controlling Shareholder, through certain companies controlled by him (the "**Excluded Group**") has invested in other businesses including, amongst others, the manufacturing of automobile components, property leasing and investment management. Details of which are set out below:

Manufacturing of Automobile Components

Chervon Auto Precision Technology is the principal operating entity for the automobile component manufacturing business. It was established in the PRC with limited liability on March 19, 2012 and is principally engaged in the production, sales and research and development of automotive power systems and relevant components. Its shares are currently listed on the Shanghai Stock Exchange (stock code: 603982.SH.).

Property Leasing

Jiuhao Electromechanical is the principal operating entity for the property leasing business. It was established in the PRC with limited liability on July 12, 2016 with a registered capital of RMB108 million. It manages and leases a self-owned industrial property located at Nanjing, PRC.

Investment Management

Nanjing Yaoquan Investment Management Co., Ltd. and Chervon International Trading are the two principal operating entities for the investment management business. Nanjing Yaoquan Investment Management Co., Ltd. was established in the PRC with limited liability on August 12, 2008 with a registered capital of RMB10 million and is principally engaged in private equity fund management businesses, while Chervon International Trading was established in the PRC with limited liability on January 10, 1994 with a registered capital of RMB5 million and is principally engaged in secondary market investment.

It has been our Group's strategy to focus on power tools and OPE products design and manufacturing business. The Excluded Group held by Mr. Pan are separate and distinct from our business.

Given the differences in the nature of the business between our Group and the businesses of the Excluded Group, our Directors are of the view that there is a clear business delineation between our Group and those operated by the Excluded Group. As a result, none of the business of the Excluded Group would compete or is expected to compete, directly or indirectly, with the business of our Group.

During the Track Record Period, our Group had entered into arrangement with Chervon Auto Precision Technology, being a member of the Excluded Group in respect of the supply of electricity supply sharing services. It is expected that our Group will continue to engage the Excluded Group for the provision of such services after Listing. See the section headed "Connected Transactions" in this prospectus for details of such continuing connected transactions.

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER(S)

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholder(s) and their respective close associates after the Global Offering.

Management Independence

Upon Listing, our Board will comprise four executive Directors and three independent non-executive Directors. See "Directors and Senior Management" for further details.

As of the Latest Practicable Date, save as disclosed below, none of our Directors or members of our senior management serves as director or member of senior management in our Controlling Shareholders and their close associates (other than members of our Group):

Name	Position with our Company	Position with our Controlling Shareholders or their respective close associates
Mr. Pan	Chairman, executive Director and chief executive officer	• Director of Panmercy • Director of Chervon Global and certain of its subsidiaries including Chervon Precision Technology Holdings Company Limited ("**Chervon Precision Technology**"), Chervon Assets Management Limited, Chervon Assets Holdings Limited, Chervon Capital Management Limited, Chervon Investment Limited, Chervon Management Services, Chervon International Trading and Nanjing Jiuhao Electromechanical Industry Co., Ltd.* (南京玖浩機電實業有限公司) ("**Jiuhao Electromechanical**") • Director of Chervon Auto Precision Technology • Director of Chervon Auto Precision Technology (Anhui) Co., Ltd.* (泉峰汽車精密技術(安徽)有限公司) a wholly-owned subsidiary of Chervon Auto Precision Technology

Name	Position with our Company	Position with our Controlling Shareholders or their respective close associates
Ms. Zhang	Executive Director and executive vice president for the North America sales and marketing	• Director of Chervon Global and certain of its subsidiaries including Chervon Precision Technology, Chervon Assets Holdings Limited, Chervon Management Services and Chervon International Trading • Director of Chervon Auto Precision Technology
Mr. Ke	Executive Director and executive vice president for manufacturing and supply chain	• Director of Chervon Global and certain of its subsidiaries including Chervon Precision Technology, Chervon Assets Holdings Limited and Chervon Management Services • Director of Chervon Auto Precision Technology
Mr. Hu Yian	Chief financial officer	• Supervisor of Jiuhao Electromechanical • Director of Chervon Auto Precision Technology

Despite the overlapping roles assumed by Mr. Pan, Ms. Zhang, Mr. Ke and Mr. Hu as illustrated above, each of Mr. Pan, Ms. Zhang, Mr. Ke and Mr. Hu confirmed that their involvement in the aforementioned companies will not affect the discharge of their duties as Directors and/or senior management of our Group on the basis that:

(a) four out of seven Directors, being a majority of the members of the Board, do not and will not hold any directorship or senior management position in our Controlling Shareholders or their respective close associates;

(b) Mr. Pan, Ms. Zhang, Mr. Ke and Mr. Hu have been and will continue to be supported by the separate and independent board and/or senior management team of our Group and the aforementioned companies;

(c) save for Chervon Auto Precision Technology, Chervon Capital Management Limited, Chervon Investment Limited, Chervon International Trading and Jiuhao Electromechanical, all other companies are merely investment holding companies and do not engage in other business activities;

(d) save for Mr. Pan, each of Ms. Zhang, Mr. Ke and Mr. Hu are taking up non-executive roles in the aforementioned companies and do not participate in their daily management and operations;

(e) despite Mr. Pan acting as an executive director in the aforementioned companies, his role has been limited to high-level decision-making for important strategic and policy matters and as a result, his positions in these companies do not require him to devote substantial amount of time in the day-to-day management of their business operations;

(f) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests; and

(g) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. See "– Corporate Governance Measures" below for other corporate governance measures we have adopted to manage conflicts of interest, if any, between our Group and our Controlling Shareholders.

Based on the above, our Directors believe that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates upon Listing.

Operational independence

Our Directors believe that our Group will be able to operate independently from our Controlling Shareholder(s) for the following reasons:

(a) although our Controlling Shareholder(s) will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, its own business operations independently;

(b) our Company (through its subsidiaries) holds all material licenses necessary to carry on its businesses and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholder(s); and

(c) our Group has an independent work force to carry out its operations independently from our Controlling Shareholder(s). We have established our own operational and organizational structure with dedicated departments and management personnel to run daily operations. We have our own employees equipped with the relevant skills to run the ordinary course of our business and a management team which possesses the requisite experience and expertise in running our business.

Save as those disclosed in the section headed "Connected Transactions" in this prospectus, our Directors currently do not expect that, following the Listing, there will be any non-exempt connected transactions between our Company and our Controlling Shareholder(s) or their respective associates. Our Company confirms that we will fully comply with Chapter 14A of the Listing Rules if any other connected transaction arises in the future.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs.

We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. During the Track Record Period, we had certain advances to and from related parties. See Note 40 to the Accountants' Report set out in Appendix I in this prospectus.

On June 4, 2021, Chervon (China) Investment, our wholly owned subsidiary, undertook to exercise its pre-emptive rights to subscribe for the public A-share convertible bonds issued by Chervon Auto Precision Technology. The subscription amount of RMB118,500,000 was based on the proportion of its shareholding in Chervon Auto Precision Technology and paid on September 14, 2021. As the convertible bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the Global Offering. See the sections headed "Financial Information – Related Party Transaction" and "Summary – Recent Developments" in this prospectus for details.

The subscription of convertible bonds does not affect the financial independence from our Controlling Shareholders or their respective close associates, as no financial assistance is being provided by Chervon Auto Precision Technology to our Group. In addition, our Group does not rely on Chervon Auto Precision Technology for the provision of financial resources.

Save as disclosed above, we will fully repay or settle all outstanding loans, advances and balances due to or from our Controlling Shareholders or their close associates which did not arise out of the ordinary course of business and there will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their associates in favor of our Group or vice-versa (as the case may be) upon Listing.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) in preparation for the Listing, our Company has amended our Articles to comply with the Listing Rules. Under the Articles, where a Shareholders' meeting is held to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;

(b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;

(g) we have appointed Guotai Junan Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

OUR CONNECTED PERSONS

We have entered into certain transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing. Those transactions are entered into with the following connected persons and their associates:

Connected Person	Connected Relationship
Chervon Auto Precision Technology	Chervon Auto Precision Technology is owned as to 35.75% by Chervon Precision Technology, which is an indirect subsidiary of Panmercy. As such, Chervon Auto Precision Technology is an associate of Panmercy and therefore our connected person under Rule 14A.13(3) of the Listing Rules.
Nanjing Yaoquan Investment Management Co., Limited* (南京耀泉投資管理有限公司) ("**Nanjing Yaoquan**")	Nanjing Yaoquan is wholly-owned by Nanjing Suquan Investment Co., Limited* (南京蘇泉投資管理有限公司), which is owned as to 75.12% by Mr. Xiao Jun (肖鈞)[(1)], who was a former director of our Company in the last 12 months. Nanjing Yaoquan is an associate of Mr. Xiao Jun and therefore our connected person under Rule 14A.12(1)(c) of the Listing Rules.
Cheng & Cheng Corporate Services Limited ("**Cheng & Cheng**")	Cheng & Cheng is owned as to 50% by Mr. Cheng Hong Kei (鄭康棋) and 50% by his spouse. Cheng & Cheng is an associate of Mr. Cheng Hong Kei, a director of Chervon (HK) Limited, and therefore our connected person under Rule 14A.12(1)(c) of the Listing Rules.
Cheng & Cheng Taxation Services Limited ("**Cheng & Cheng Taxation**")	Cheng & Cheng Taxation is owned as to 50% by Mr. Cheng Hong Kei (鄭康棋) and 50% by his spouse. Cheng & Cheng Taxation is an associate of Mr. Cheng Hong Kei, a director of Chervon (HK) Limited, and therefore our connected person under Rule 14A.12(1)(c) of the Listing Rules.

Note:

(1) The reason for the resignation of Mr. Xiao Jun as a director of our Company with effect from August 4, 2021 is to enhance corporate governance and to adjust the board structure and composition in light of its proposed Listing and the relevant Listing Rules requirements. It is the intention that Mr. Xiao Jun shall focus on the investment management business and continue to serve as a director of our associated entities which are principally engaged in investment business, including Chervon Capital Management Limited, Chervon Investment Limited, Chervon International Trading and Nanjing Yaoquan Investment Management Co., Ltd..

Following the Group's disposal of its interest in Nanjing Suquan Investment Co., Ltd. and Nanjing Yaoquan Investment Management Co., Ltd. on March 12, 2019, our Directors believe that it is more suitable for Mr. Xiao Jun to cease being a director of our Company for clearer business delineation.

To the best of our Director's knowledge and belief, there was no dispute or disagreement between Mr. Xiao Jun and the Company, Directors or Shareholders and there is no other matter relating to his resignation that needs to be brought to the attention of our Shareholders.

OUR EXISTING ONE-OFF CONNECTED TRANSACTION

1. Subscription of Public A Share Convertible Bonds

Parties: Chervon (China) Investment (our wholly-owned subsidiary) (as subscriber) and Chervon Auto Precision Technology (as issuer)

Principal terms: On August 3, 2021, Chervon Auto Precision Technology announced that it has obtained approval from the CSRC to issue public A-share convertible bonds (the "**A Share Convertible Bonds**") in an aggregate principal amount of RMB620 million (US$95.9 million) with a maturity date on the sixth year after the date of issuance. Pursuant to the terms of the A Share Convertible Bonds offering, Chervon (China) Investment as an existing shareholder has pre-emptive rights to subscribe for the A Share Convertible Bonds in an amount up to the proportional interests of such shareholder in Chervon Auto Precision Technology. Chervon (China) Investment, which owns 23.12% of Chervon Auto Precision Technology, has exercised and paid for such pre-emptive rights to subscribe for RMB118.5 million (US$18.3 million) of the principal amount of the A Share Convertible Bonds. As the A Share Convertible Bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the Global Offering.

If Chervon (China) Investment opts not to convert its convertible bonds upon their expiry, the shareholding in Chervon Auto Precision Technology held by Chervon (China) Investment would be diluted from 23.12% as of the Latest Practicable Date to approximately 20.86% immediately after full conversion of convertible bonds by other subscribers based on the current conversion price, assuming that there is no other change in the issued share capital and shareholding structure of Chervon Auto Precision Technology at the maturity date of the A Share Convertible Bonds.

Details of the A Share Convertible Bonds are as follows:

Type of Convertible Bonds Issued	The A Share Convertible Bonds were issued on September 14, 2021 (the "**Date of Issuance**") at par with a nominal value of RMB100 each. The A Share Convertible Bonds can be converted into A share(s) of Chervon Auto Precision Technology with a nominal value of RMB1.00 each which are listed on the Shanghai Stock Exchange and traded in RMB (stock code: 603982) (the "**A Shares**").
Maturity Date	September 13, 2027 (six years after the Date of Issuance)

Interest Rate, Timing of Interest Payment

The A Share Convertible Bonds will bear a coupon rate of 0.4% in the first year, 0.6% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.5% in the fifth year and 3.0% in the sixth year.

The interest of the A Share Convertible Bonds will be paid annually, and the principal and the interest for the final year will be paid upon maturity.

(1) Calculation of Annual Interest

"**Annual Interest**" means the interest accrued to a holder of the A Share Convertible Bonds (the "**A Share Convertible Bonds Holder**") in each year on each anniversary of the Date of Issuance which is calculated based on the aggregate nominal value of the A Share Convertible Bonds held by him/her.

The formula for calculating the Annual Interest is: $I=B\times i$

I: denotes the Annual Interest;

B: denotes the aggregate nominal value of the A Share Convertible Bonds held by an A Share Convertible Bonds Holder as at the record date for interest payment ("**that year**" or "**each year**") in an interest accrual year;

i: denotes the coupon rate of the A Share Convertible Bonds of that year.

(2) Timing of interest payment

a. Interest of the A Share Convertible Bonds will be paid annually, accruing from the Date of Issuance.

b. Interest payment date: the interest is payable annually on each anniversary of the Date of Issuance. If such date falls on a statutory holiday or rest day, the interest payment date shall be postponed to the first trading day immediately thereafter, provided that no additional interest will be accrued during the period of postponement. The period between an interest payment date and the immediately following interest payment date will be an interest accrual year.

Conversion Period

The conversion period of A Share Convertible Bonds shall commence from March 22, 2022 until September 13, 2027.

Conversion Price

(1) Basis for determining the initial conversion price

The initial conversion price of A Share Convertible Bonds is RMB23.03 per A Share, which shall not be lower than the average trading price of the A Shares for the 20 trading days preceding the date of publication of the A Share Convertible Bonds offering document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the adjusted share price following the ex-rights or ex-dividend events), as well as the average trading price of the A Shares on the trading day preceding the date of the A Share Convertible Bonds offering document. The average trading price of the A Shares for the 20 preceding trading days = total trading amount of the A Shares for such 20 trading days/total trading volume of the A Shares for such 20 trading days; the average trading price of the A Shares for the preceding trading day = total trading amount of A Shares for such trading day/total trading volume of the A Shares for such trading day.

(2) Method of adjustments to the conversion price

The conversion price is subject to adjustment upon the issuance in case of certain events, such as distribution of share dividends, capitalization, issuance of new shares or rights issue (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), allotment and distribution of cash dividends.

Upon occurrence of any of the above-mentioned changes in shares and/or interests of the shareholders of Chervon Auto Precision Technology, Chervon Auto Precision Technology will adjust the conversion price in accordance with the method determined, and publish an announcement in relation to the adjustment of the conversion price on the media designated by CSRC for information disclosure of listed companies. Such announcement will indicate the date of adjustment to the conversion price, adjustment method and suspension period of share conversion (if necessary). If the conversion price adjustment date is on or after the date on which an A Share Convertible Bonds Holder applies for conversion of his/her A Share Convertible Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion will be executed based on the conversion price adjusted by Chervon Auto Precision Technology.

In the event that the creditor's interests or the interests derived from the share conversion of the A Share Convertible Bonds Holders are affected by the change in Chervon Auto Precision Technology's share class, quantity and/or the interests of the shareholders of Chervon Auto Precision Technology due to any possible share repurchase, consolidation, division or any other circumstances, Chervon Auto Precision Technology will adjust the conversion price based on the actual situations and in accordance with the principles of fairness, justice and equality so as to fully protect the interests of A Share Convertible Bonds Holders. The details of adjustment to conversion price and its implementation measures shall be determined in accordance with then relevant PRC laws and regulations and the relevant requirements of the securities regulatory authorities.

Terms of Downward Adjustment to Conversion Price

(1) ***Authorization and magnitude of adjustment***

If, during the term of the A Share Convertible Bonds, the closing prices of the A Shares in at least 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing conversion price, the board of directors of Chervon Auto Precision Technology is entitled to propose a downward adjustment to the conversion price and submit it to the shareholders of Chervon Auto Precision Technology at the general meeting for their consideration and approval. In the event that an adjustment to the conversion price by Chervon Auto Precision Technology is made during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

The above-mentioned proposals are subject to approvals of more than two-thirds of the shareholders of Chervon Auto Precision Technology with voting rights who attend the general meeting. The shareholders of Chervon Auto Precision Technology who hold the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted conversion price should be no less than the average trading price of the A Shares for 20 trading days preceding the date of the general meeting for consideration and approval of the aforementioned proposals and the average trading price of the A Shares on the trading day preceding the date of such meeting.

*(2) **Procedures of adjustment***

If a downward adjustment to the conversion price is approved at the general meeting, Chervon Auto Precision Technology will publish an announcement in relation to the resolutions at the general meeting on media designated by CSRC for information disclosure of listed companies. Such announcement will disclose information including the magnitude of the adjustment, the registration date of shares and the suspension period of share conversion (if necessary). Application for conversion at adjusted conversion price shall be resumed upon the first trading day after the registration date, i.e. the conversion price adjustment date. If the conversion price adjustment date is on or after the date on which an A Share Convertible Bonds Holder applies for conversion of his/her A Share Convertible Bonds but before the registration date of the A Shares to be issued upon conversion, then such conversion will be executed based on the adjusted conversion price.

Method for Determining the Number of A Shares for Conversion

Where an A Share Convertible Corporate Bonds Holder applies to convert his/her A Share Convertible Corporate Bonds into the A Shares during the conversion period, the formula for calculating the number of the A Shares to be issued upon conversion is as below:

Q = V/P, any fractional share shall be rounded down to the nearest integer.

Where: "Q": denotes the number of the A Shares to be issued upon conversion; "V": denotes the aggregate nominal value of the A Share Convertible Corporate Bonds in respect of which the A Share Convertible Corporate Bonds Holder applies for conversion; "P": denotes the valid conversion price on the date of application for conversion.

Within five trading days from the date of conversion by any A Share Convertible Corporate Bonds Holder, Chervon Auto Precision Technology shall pay the A Share Convertible Corporate Bonds Holder in cash an amount equal to the remaining balance of such A Share Convertible Corporate Bonds which is insufficient to be converted into one A Share and the interest accrued on such balance, in accordance with the relevant requirements of the Shanghai Stock Exchange and such other authorities.

Transferability and Restrictions

The A Share Convertible Bonds are transferrable, provided that any transfer of the A Share Convertible Bonds is made in accordance with the laws, administrative regulations, the Rules for A Share Convertible Bonds Holders' Meetings and the articles of association of Chervon Auto Precision Technology.

Redemption

(1) Terms of redemption upon maturity

Within five trading days upon maturity of A Share Convertible Bonds, Chervon Auto Precision Technology will redeem all the A Share Convertible Bonds from the A Share Convertible Bonds Holders which have not been converted into A Shares by then, at a price calculated at 115% of the nominal value of A Share Convertible Bonds (including the interest accrued in the last interest accrual year).

(2) Terms of conditional redemption

During the conversion period of A Share Convertible Bonds, if the closing prices of the A Shares during at least 15 trading days out of any 30 consecutive trading days are no less than 130% (inclusive) of the prevailing conversion price, or the total par value of the outstanding A Share Convertible Bonds is lower than RMB30 million, Chervon Auto Precision Technology shall have the right to redeem all or part of the outstanding A Share Convertible Bonds, at a price equal to the nominal value of A Share Convertible Bonds plus then accrued interest.

In the event that an adjustment to the conversion price by Chervon Auto Precision Technology is made during the aforementioned 30 trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day.

Terms of Sale Back

(1) ***Terms of conditional sale back***

During the last two interest accrual years within the term of the A Share Convertible Bonds, if the closing prices of the A Shares on any 30 consecutive trading days are lower than 70% of the prevailing conversion price, the A Share Convertible Bonds Holders are entitled to sell back all or part of the A Share Convertible Bonds they hold to Chervon Auto Precision Technology at a price equal to the nominal value of the A Share Convertible Bonds plus the then accrued interest.

In the event that an adjustment to the conversion price by Chervon Auto Precision Technology is made due to events such as distribution of share dividends, capitalization, issuance of new shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue and distribution of cash dividends during the aforementioned trading days, in respect of the trading days prior to the adjustment to the conversion price, the calculation shall be based on the unadjusted conversion price and the closing price of the A Shares on each such day, and in respect of the days on which adjustment to the conversion price is made and the trading days afterwards, the calculation shall be based on the adjusted conversion price and the closing price of the A Shares on each such day. In the event that there is a downward adjustment to the conversion price, the aforesaid "30 consecutive trading days" shall be re-counted from the first trading day following the adjustment to the conversion price.

The A Share Convertible Bonds Holders can exercise their sale back rights once every year when the sale back conditions are initially satisfied according to the above-mentioned agreed terms in the last two interest accrual years within the term of the A Share Convertible Bonds. If the sale back conditions are initially satisfied, but the A Share Convertible Bonds Holders do not apply for and exercise their sale back rights during the sale back declaration period then announced by Chervon Auto Precision Technology, they shall not exercise the sale back rights during such accrual years. The A Share Convertible Bonds Holders are not allowed to exercise part of their sale back rights repeatedly.

(2) Additional terms of sale back

If the actual use of the proceeds from A Share Convertible Bonds significantly differs from the undertakings of the use of proceeds set out by Chervon Auto Precision Technology in the A Share Convertible Bonds offering document, and such change is deemed as a deviation in the use of proceeds pursuant to relevant rules of CSRC or is considered by CSRC as a deviation in the use of proceeds, the A Share Convertible Bonds Holders will be entitled to a one-off right to sell all or part of A Share Convertible Bonds back to Chervon Auto Precision Technology at a price equal to the nominal value of the A Share Convertible Bonds plus then accrued interest. Upon the satisfaction of the additional condition of sale back, the A Share Convertible Bonds Holders may sell their A Share Convertible Bonds back to Chervon Auto Precision Technology during the additional sale back declaration period after it is announced by Chervon Auto Precision Technology. If the A Share Convertible Bonds Holders do not exercise their sale back rights during such period, they shall not exercise such rights later. Please refer to the terms of redemption above for the formula for calculating then accrued interest.

Events of Default

In the event that Chervon Auto Precision Technology defaults in paying the principal and interest of the A Share Convertible Bonds for the current period on time, Chervon Auto Precision Technology shall pay the accrued interest for the current period to the relevant A Share Convertible Bonds Holders, which is calculated based on the number of days on which interest is accrued and at a rate of 20% plus the nominal interest rate of the A Share Convertible Bonds in an interest accrual year. The A Share Convertible Bonds Holders may also convene an A Share Convertible Bonds Holders' meeting upon the occurrence of certain events of default, including but not limited to: (i) default in payment of the principal, interest or accrued interest of the A Share Convertible Bonds; (ii) capital reduction (excluding capital reduction as a result of share repurchase by Chervon Auto Precision Technology due to equity incentive schemes or a need to maintain its company value and its shareholders' interests), merger, division or dissolution or filing for bankruptcy undertaken by Chervon Auto Precision Technology; or (iii) occurrence of any event which has a material adverse effect on Chervon Auto Precision Technology's ability to pay the principal and interest or on the A Share Convertible Bonds Holders' interests, in which a resolution can be passed by the A Share Convertible Bonds Holders to initiate legal proceedings against Chervon Auto Precision Technology.

Ranking	The new A Shares to be issued as a result of the conversion of the A Share Convertible Corporate Bonds shall rank *pari passu* with all the existing A Shares, and all ordinary holders of the A Shares (including those derived from the conversion of the A Share Convertible Corporate Bonds) whose names are recorded on the register of members of Chervon Auto Precision Technology on the record date for dividend distribution shall be entitled to receive the dividend of that period and enjoy equal rights and interests.
Listing Status	The A Share Convertible Bonds were listed on the Shanghai Stock Exchange on October 21, 2021 (bond code: 113629).

Listing Rules Implications: The subscription of public A Share Convertible Bonds is a one-off connected transaction of the Company for the purpose of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules are not applicable. The Company will comply with the reporting, announcement and/or independent Shareholders' approval requirements (as applicable) under Chapter 14 and 14A of the Listing Rules, if necessary, in the event that Chervon (China) Investment proposes to exercise its conversion right under the convertible bonds.

OUR CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Nanjing Chervon Auto Precision Technology Factory Lease

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) (as lessor) and Chervon Auto Precision Technology (as lessee)

Principal terms: Nanjing Chervon Industry entered into a lease agreement with Nanjing Chervon Auto Precision Technology (the "**Nanjing Chervon Auto Precision Technology Factory Lease**") on January 1, 2021, pursuant to which Nanjing Chervon Industry agreed to lease to Chervon Auto Precision Technology part of its factory of an area of approximately 7,651.22m^2 located at No. 159 Jiangjun Avenue, Jiangning District, Nanjing, the PRC (the "**Factory**") for a term commencing from January 1, 2021 to December 31, 2021.

Under the Nanjing Chervon Auto Precision Technology Factory Lease, the total rental payments receivable by Nanjing Chervon Industry for the year ending December 31, 2021 is RMB2,112,000. Such terms were determined by the parties through arm's length negotiation with reference to the prevailing market rent of similar property located in the vicinity.

Historical amount: The historical rental expenses recognized by Nanjing Chervon Industry from Chervon Auto Precision Technology for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB564,000, RMB366,000, RMB526,000 and RMB1,006,000, respectively. The increase in the rental payments for the six months ended June 30, 2021 was due to an increase in the leased factory area at the same location from 2,000m^2 to 7,651.22m^2 from January 1, 2021 onwards.

Listing Rules Implications: Since the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Nanjing Chervon Auto Precision Technology Factory Lease are less than 0.1%, the transactions under the Nanjing Chervon Auto Precision Technology Factory Lease constitute *de minimis* transactions of our Company and are exempt from the reporting, announcement, annual review and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

2. Water Utility Bill Sharing Agreement

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) and Nanjing Chervon Auto Precision Technology

Principal terms: Due to the design of the Factory shared by the parties, Chervon Auto Precision Technology has no independent water meter with the relevant utility services provider and needs to share such facility with Nanjing Chervon Industry, who maintains the water utility account for the Factory. As such, Nanjing Chervon Industry entered into a water utility bill sharing agreement with Chervon Auto Precision Technology on January 1, 2021, pursuant to which Nanjing Chervon Industry agreed to procure supply of water services in respect of the Factory for the operations of Chervon Auto Precision Technology for a term commencing from January 1, 2021 to December 31, 2021.

The water supply services in respect of the Factory are payable by Chervon Auto Precision Technology to Nanjing Chervon Industry on an at-cost basis at the government-prescribed rates charged on the Factory and the consumption amount will be confirmed by both parties by jointly inspecting the readings on the relevant meter on a monthly basis. Nanjing Chervon Industry will subsequently settle the amount with the relevant utility services provider.

Historical amount: The historical water utility charges recognized by Nanjing Chervon Industry from Chervon Auto Precision Technology for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB568,000, RMB577,000, RMB756,000 and RMB455,000, respectively.

Listing Rules Implications: The utility supply service is "consumer services" on the basis that such service is (i) of a type ordinarily supplied for the private use or consumption of Chervon Auto Precision Technology; (ii) for its own consumption or use and there is an open market and transparency in the pricing of the service; (iii) consumed or used by them in the same state as when they were bought; and (iv) of terms no less favorable to them than those terms available to independent third parties. On the basis of the above and given that our use of the water supply service is on normal commercial terms in its ordinary and usual course of business, the payment for water utility charges under the Water Utility Bill Sharing Agreement on an at-cost basis is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.97 of the Listing Rules.

3. Electricity Utility Bill Sharing Agreement

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) and Chervon Auto Precision Technology

Principal terms: Due to the design of the Factory shared by the parties, Nanjing Chervon Industry has no independent electricity meter with the relevant utility services provider and needs to share such facility with Chervon Auto Precision Technology, who maintains the electricity utility account for the Factory. As such, Nanjing Chervon Industry entered into an electricity utility bill sharing agreement with Chervon Auto Precision Technology on January 1, 2021, pursuant to which Chervon Auto Precision Technology agreed to procure supply of electricity services in respect of the Factory for our operations for a term commencing from January 1, 2021 to December 31, 2021.

The electricity supply services in respect of the Factory are payable by Nanjing Chervon Industry to Chervon Auto Precision Technology on an at-cost basis at the government-prescribed rates charged on the Factory and the consumption amount will be confirmed by both parties by jointly inspecting the readings on the relevant meter on a monthly basis. Chervon Auto Precision Technology will subsequently settle the amount with the relevant utility services provider. Pursuant to a supplemental agreement dated June 1, 2021, Nanjing Chervon Industry agreed to prepay its electricity utility charges to Chervon Auto Precision Technology as deposit at the beginning of every month.

Historical amount: The historical electricity utility charges recognized by Nanjing Chervon Industry to Chervon Auto Precision Technology for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB11,778,000, RMB8,223,000, RMB8,059,000 and RMB2,504,000, respectively.

Listing Rules Implications: The utility supply service is "consumer services" on the basis that such service is (i) of a type ordinarily supplied for our private use or consumption; (ii) for our own consumption or use and there is an open market and transparency in the pricing of the service; (iii) consumed or used by us in the same state as when they were bought; and (iv) of terms no less favorable to our Group than those terms available to independent third parties. On the basis of the above and given that our use of the electricity supply service is on normal commercial terms in its ordinary and usual course of business, the payment for electricity utility charges under the Electricity Utility Bill Sharing Agreement on an at-cost basis is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.97 of the Listing Rules.

4. Nanjing Yaoquan Office Lease

Parties: Nanjing Chervon Industry (our wholly-owned subsidiary) (as lessor) and Nanjing Yaoquan (as lessee)

Principal terms: Nanjing Chervon Industry entered into a lease agreement with Nanjing Yaoquan (the "**Nanjing Yaoquan Office Lease**") on January 1, 2021, pursuant to which Nanjing Chervon Industry agreed to lease to Nanjing Yaoquan an office area of approximately $300m^2$ located at No. 99 West Tianyuan Road, Jiangning Economic and Technological Development Zone, Nanjing, the PRC for a term commencing from January 1, 2021 to December 31, 2021.

Under the Nanjing Yaoquan Office Lease, the total rental expenses by Nanjing Chervon Industry for the year ending December 31, 2021 is RMB115,200 (including basic facilities charges, administrative charges, water and electricity utilities charges). Such terms were determined by the parties through arm's length negotiation with reference to the prevailing market rent of similar property located in the vicinity.

Historical amount: The historical rental expenses recognized by Nanjing Chervon Industry from Nanjing Yaoquan for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were RMB108,000, RMB112,000, RMB115,000 and RMB58,000, respectively.

Listing Rules Implications: Since the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Nanjing Yaoquan Office Lease are less than 0.1%, the transactions under the Nanjing Yaoquan Office Lease constitute *de minimis* transactions of our Company and are exempt from the reporting, announcement, annual review and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

5. Company Secretarial Services Agreement

Parties: Our Company and Cheng & Cheng

Principal terms: Our Company entered into a company secretarial services agreement with Cheng & Cheng (the "**Company Secretarial Services Agreement**") on January 4, 2021, pursuant to which Cheng & Cheng agreed to provide company secretarial services, custody of company records and act as the designated representative of certain of our subsidiaries for a term commencing from January 1, 2021 to December 31, 2021.

Under the Company Secretarial Services Agreement, the total service fees payable for the year ending December 31, 2021 are HK$88,200. Such terms were determined by the parties through arm's length negotiation with reference to factors such as the personnel and working hours estimated to be equipped and spent on providing company secretarial services and other related services, the fees charged for historical transactions of similar nature and the prevailing market rent of similar services.

Historical amount: The historical service fees recognized by our Company to Cheng & Cheng for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were HK$43,000, HK$44,000, HK$47,000 and HK$46,000, respectively.

6. Tax Compliance Services Agreement

Parties: Our Company and Cheng & Cheng Taxation

Principal terms: Our Company entered into a tax compliance services agreement with Cheng & Cheng Taxation (the "**Tax Compliance Services Agreement**") on February 9, 2021, pursuant to which Cheng & Cheng Taxation agreed to provide routine tax compliance services and prepare profits tax returns and tax computations to our Company and certain of its subsidiaries for a term commencing from January 1, 2021 to December 31, 2021.

Under the Tax Compliance Services Agreement, the total service fees payable for the year ending December 31, 2021 are HK$79,500. Such terms were determined by the parties through arm's length negotiation with reference to factors such as the personnel and working hours estimated to be equipped and spent on providing tax compliance services, the fees charged for historical transactions of similar nature and the prevailing market rent of similar services.

Historical amount: The historical service fees recognized by Chervon (HK) Limited to Cheng & Cheng Taxation for the years ended December 2018, 2019 and 2020 and the six months ended June 30, 2021 were HK$78,000, HK$80,000, HK$70,000 and HK$40,000, respectively.

Listing Rules Implications: Pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, since (i) Cheng & Cheng and Cheng & Cheng Taxation are both associates of Mr. Cheng Hong Kei, and are therefore connected persons of our Company; and (ii) our Company's transactions with these entities are of a similar nature, these transactions contemplated under the Company Secretarial Services Agreement and the Tax Compliance Services Agreement will be aggregated and treated as if they were one transaction. Accordingly, the annual caps in respect of these agreements with each of these entities are aggregated and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the aggregated transactions under the Company Secretarial Services Agreement and the Tax Compliance Services Agreement are less than 0.1%, the aggregated transactions constitute *de minimis* transactions of our Company and are exempt from the reporting, announcement, annual review and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' VIEW

In the view of our Directors (including our independent non-executive Directors), it is in the interests of our Group to continue with the continuing connected transactions described in this section after the Listing, and that all these transactions are conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, the terms are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors, and three independent non-executive Directors. The following sets forth certain information regarding our Directors and senior management:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Directors and senior management
Directors						
Mr. Pan Longquan (潘龍泉)	58	September 1997	June 22, 1999	Executive Director, Chairman and Chief Executive Officer	Supervising overall operations, management, strategic planning and business development of our Group; member of our Nomination Committee	None
Ms. Zhang Tong (張彤)	50	September 1997	June 22, 1999	Executive Director and Executive Vice President – North America Sales & Marketing	Supervising overall operations, management, strategic planning and sales and marketing development of our Group in North America; member of our Remuneration Committee	None
Mr. Ke Zuqian (柯祖謙)	60	September 1997	June 22, 1999	Executive Director and Executive Vice President – Manufacturing and Supply Chain	Supervising manufacturing and production processes and management of our Group	None
Mr. Michael John Clancy	66	September 2018	August 4, 2021	Executive Director and Senior Vice President – North America Sales and Marketing	Supervising overall operations, management, strategic planning and sales and marketing development of our Group in North America	None
Mr. Tian Ming (田明)	60	December 8, 2021	December 8, 2021	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairperson of our Remuneration Committee and member of our Audit Committee and Nomination Committee	None

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Directors and senior management
Dr. Li Minghui (李明輝)	47	December 8, 2021	December 8, 2021	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairperson of our Audit Committee and member of our Remuneration Committee	None
Mr. Jiang Li (蔣立)	57	December 8, 2021	December 8, 2021	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairperson of our Nomination Committee and member of our Audit Committee	None

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Senior Management						
Mr. Hu Yian (胡以安)	53	April 2003	April 1, 2003	Chief Financial Officer	Overseeing overall financial operations, financing and investment activities of our Group	None
Mr. Wu Shuming (吳書明)	55	June 1997	March 1, 2010	Vice President – Research & Development	Supervising and managing the research and development system and technological development of our Group	None
Mr. Wu Gang (吳鋼)	48	April 2021	April 26, 2021	Chief Digital Officer	Overseeing the digital strategy and information technology development of our Group	None
Mr. Zhang Ding (章鼎)	42	March 2003	January 1, 2013	Vice President – Product Management	Overseeing the product planning and product management of our Group across all brands and categories	None

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Ms. Shan Xiaodong (單曉東)	54	May 2017	May 16, 2017	Vice President – Human Resources	Overseeing human resources & administrative planning and management of our Group	None
Mr. Peter John Melrose	55	June 2007	November 26, 2015	Vice President – European Sales & Marketing	Supervising overall operations, management, strategic planning and sales and marketing development of our Group in Europe	None
Dr. Christian Neuner	46	August 2014	October 9, 2016	Vice President – FLEX brand	Supervising overall operations, management, strategic planning and sales and marketing development of the FLEX brand product	None

DIRECTORS

Executive Directors

Mr. Pan Longquan (潘龍泉), aged 58, is our principal founder, executive Director, Chairman and Chief Executive Officer. Mr. Pan is primarily responsible for supervising overall operations, management, strategic planning and business development of our Group.

Mr. Pan has over 30 years of experience in the power tool and OPE products industry and 27 years of management experience in our Group. Mr. Pan founded our principal operating subsidiary, Nanjing Chervon Industry and has served as its chairman since September 1997. On June 22, 1999, Mr. Pan was appointed as our executive Director, Chairman and Chief Executive Officer. Mr. Pan currently serves as a director in a number of our subsidiaries and as the general manager of Chervon (China) Investment. He is also a director of Chervon Global and its various subsidiaries, which are principally engaged in the production of key automobile and mechanical components and investment management. Mr. Pan serves as the chairman of Chervon Auto Precision Technology, a company listed on the Shanghai Stock Exchange (stock code: 603982.SH) since October 2012. Prior to founding the predecessor company of our Group, Chervon International Trading in 1994, Mr. Pan served as a salesperson in Nanjing Machinery, Minerals, Metals & Medicine Import and Export Company* (南京機械五金礦產醫藥保健品進出口公司), a company engaged in machinery import and export trading, from July 1988 to June 1993.

Mr. Pan received his bachelor's degree and his master's degree in earth sciences from Nanjing University (南京大學) in the PRC, in July 1985 and July 1988, respectively.

On June 9, 2021, Mr. Pan and Chervon Auto Precision Technology received a warning letter from the Shanghai Stock Exchange in relation to the occupation of non-operating funds of Chervon Auto Precision Technology in contravention of applicable PRC laws, listing rules of the Shanghai Stock Exchange and his commitment under the relevant director undertakings arising from (i) the payment of corporate income tax expense of approximately RMB1.07 million by Chervon Auto Precision Technology on behalf of its overseas controlling shareholder on July 20, 2020 in connection with Chervon Auto Precision Technology's dividend payment to its overseas controlling shareholder made on July 15, 2020 and (ii) the prepayment of electricity bills by Chervon Auto Precision Technology for Nanjing Chervon Industry in the amount of approximately RMB8.06 million pursuant to the payment arrangement under an electricity utility bill sharing agreement entered into between Chervon Auto Precision Technology and Nanjing Chervon Industry on January 1, 2020. Given that (i) the occupation of non-operating funds has been fully rectified and the payment arrangements are now in compliance with all applicable PRC laws and listing rules of the Shanghai Stock Exchange, (ii) the warning letter is a non-punitive supervisory measure implemented by the Shanghai Stock Exchange, which does not constitute a disciplinary measure or public sanction, and (iii) the Company has taken rectification measures as set out in the section headed "Business – Risk Management and Internal Control – Internal Control Risk Management" in this prospectus, our Directors are of the view that such incident does not materially affect the suitability of Mr. Pan to serve as a director of our Company. Based on the foregoing and the due diligence conducted by the Joint Sponsors, the Joint Sponsors concur with the Directors' view.

As advised by our PRC Legal Adviser, given that (i) the amounts involved in relation to the occupation of non-operating funds of Chervon Auto Precision Technology were relatively small; (ii) the payment of corporate income tax and prepayment of electricity bills by Chervon Auto Precision Technology on behalf of other entities had been fully repaid or returned to Chervon Auto Precision Technology before the end of 2020; and (iii) the Company has adopted rectification measures to prevent recurrence of similar incidents as mentioned above, the risk of the PRC regulatory authorities imposing additional penalties or sanctions on the Company or Mr. Pan is minimal.

Ms. Zhang Tong (張彤), aged 50, is our co-founder, executive Director and executive vice president for the North America sales & marketing. Ms. Zhang is primarily responsible for supervising overall operations, management, strategic planning and sales and marketing development of our Group in North America.

Ms. Zhang has over 20 years of experience in the power tool and OPE products industry and management experience in our Group. Ms. Zhang co-founded our principal operating subsidiary, Nanjing Chervon Industry, and has served as its director since September 1997. On June 22, 1999, Ms. Zhang was appointed as our executive Director and executive vice president for the North America sales and marketing. Ms. Zhang currently serves as a director in a number of our subsidiaries. She is also a director of Chervon Global and its various subsidiaries, which are principally engaged in the production of key automobile and mechanical components and investment management. Ms. Zhang serves as a director of Chervon Auto Precision Technology, a company listed on the Shanghai Stock Exchange (stock code: 603982.SH), since October 2016.

Ms. Zhang studied foreign trade English from Hohai University (河海大學) in the PRC and graduated in July 1991. Ms. Zhang received her master's degree in business management from China Europe International Business School (中歐商學院) in the PRC in May 2012.

Mr. Ke Zuqian (柯祖謙), aged 60, is our co-founder, executive Director and executive vice president for manufacturing and supply chain. Mr. Ke is primarily responsible for supervising manufacturing and production processes and management of our Group.

Mr. Ke has over 20 years of experience in the power tool and OPE products industry and management experience in our Group. Mr. Ke joined Chervon International Trading in January 1996 as a technical director, and has served as a director and a vice general manager of Nanjing Chervon Industry since September 1997. On June 22, 1999, Mr. Ke was appointed as our executive Director and executive vice president for manufacturing. Mr. Ke currently serves as a director in a number of our subsidiaries and as the general manager of Nanjing Chervon Industry. He is also a director of Chervon Global and its various subsidiaries, which are principally engaged in the production of key automobile and mechanical components and investment management. Mr. Ke serves as a director of Chervon Auto Precision Technology, a company listed on the Shanghai Stock Exchange (stock code: 603982.SH), since October 2016. Prior to joining our Group, Mr. Ke was a lecturer in Tongji University (同濟大學) from July 1984 to June 1992, a technical manager in TÜV Rheinland (TUV 德國萊茵公司), a technical services provider, from July 1992 to May 1994 and a technical manager in TÜV SUD (TUV 添福產品服務公司), a testing and certification provider, from June 1994 to December 1995.

Mr. Ke received his bachelor's degree and his master's degree in industrial automation from Tongji University (同濟大學) in the PRC in July 1984 and April 1990, respectively.

Mr. Michael John Clancy, aged 66, is our executive Director and senior vice president for the North America sales and marketing. Mr. Clancy is primarily responsible for supervising overall operations, management, strategic planning and sales and marketing development of our Group in North America.

Mr. Clancy has extensive experience in the power tool industry and has accumulated over 30 years of experience in corporate management.

Mr. Clancy joined our Group in September 2018 and has since served as the chief executive officer of Chervon NA. Mr. Clancy was appointed as our executive Director on August 4, 2021. Prior to joining our Group, Mr. Clancy served as the vice president for the national accounts unit of Skil Corporation from 1978 to 1992, a power tool and accessory supplier which was later acquired by our Group, the vice president of the consumer business group of Rust-Oleum Corporation, a paint supplier, from 1992 to 1995 the president of RotoZip Tool Corp, a power tool and accessory supplier, from 1995 to 2000 and the senior vice president of the North American Sales organization and the project management of Robert Bosch Tool Corporation, a power tool and accessory supplier, from 2010 to 2016 and from 2016 to 2017, respectively.

Mr. Clancy received his bachelor's degree in business from Western Illinois University in the U.S. in May 1977 and his master's degree in business administration from Depaul University in the U.S. in February 1983. Mr. Clancy has been one of the board members of the OPEI since March 2021.

Independent non-executive Directors

Mr. Tian Ming (田明), aged 60, has been appointed as our independent non-executive director with effect from December 8, 2021. Mr. Tian is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Tian has 20 years of extensive experience in the fields of competitive strategy, operation management and property investment and development. Mr. Tian worked at the Nanjing People's Government (南京市人民政府) from July 1991 to October 2001, with his last position being the deputy department head. He was also the executive secretary of Nanjing Changjiang Waterway Bureau (南京市長江航道管理局) from December 1979 to April 1991. In December 2001, Mr. Tian founded Landsea Group Co., Ltd. (朗詩集團股份有限公司), a company principally engaged in property development, and has since served as its director and chief executive officer. He has been the chairman of the board of Shanghai Landleaf Architecture Technology Co., Ltd.* (上海朗綠建築科技有限公司) since July 2013, a company principally engaged in providing green construction technologies related services and the shares of which were listed on the National Equities Exchange and Quotations Co., Ltd. (stock code: 870998.NEEQ) from February 2017 to March 2020.

Mr. Tian has served as the chairman and an executive director in Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 106.HK) since July 2013 and Landsea Homes Corporation, a company listed on the NASDAQ Stock Market (symbols: "LSEA", "LSEAW") since January 2021. He was appointed as a director of Landsea Green Life Service Company Limited (朗詩綠色生活服務有限公司) (stock code: 1965.HK) in December 2020, and subsequently, its chairman of the board and a non-executive director in January 2021 and has served since then.

Mr. Tian served on various committees, such as the vice president of China Real Estate Chamber of Commerce (全聯房地產商會) from October 2016 to October 2021, the president of the CEIBS Alumni Association from April 2017 to April 2020, and the rotating chairman of China Urban Realty Association (中城聯盟) from April 2018 to April 2020.

Mr. Tian received a diploma in engine management from Nanjing Heyun School* (南京河運學校) (currently known as Nanjing Maritime School* (南京航運學校)) in the PRC in December 1979 and a diploma in Chinese from Nanjing Vocational Tertiary Institute* (南京職工高等學校) in the PRC in December 1988. Mr. Tian completed a master's course programme in administrative management from Nanjing University (南京大學) in the PRC in August 1997 and received his master's degree in business management from China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in the PRC in September 2007. Mr. Tian was awarded the "EY Entrepreneur of the Year" in the real estate industry by Ernst & Young in October 2019.

Dr. Li Minghui (李明輝), aged 47, has been appointed as our independent non-executive director with effect from December 8, 2021. Dr. Li is primarily responsible for supervising and providing independent judgment to our Board.

Dr. Li was a lecturer in accounting from August 2003 to July 2005 and an associate professor in accounting from August 2005 to November 2006 at the School of Management in Xiamen University (廈門大學). Dr. Li served as an associate professor at the School of Business in Nanjing University (南京大學) from December 2006 to December 2009. Since December 2009, Dr. Li has been a professor in accounting at the School of Business in Nanjing University (南京大學).

Dr. Li has been an independent non-executive director of Nanjing Zhongweixin Software Technology Co., Ltd.* (南京中衛信軟件科技股份有限公司), a company principally engaged in computer software development since August 2020 and has also served as an independent non-executive director of a number of listed companies, including Baosheng Science and Technology Innovation Co., Ltd. (寶勝科技創新股份有限公司) (stock code: 600973.SH) from December 2014 to May 2019, Changchai Co., Ltd. (常柴股份有限公司) (stock code: 000570.SZ) from March 2015 to April 2020, Jiangsu Fasten Co., Ltd. (江蘇法爾勝股份有限公司) (stock code: 000890.SZ) from April 2015 to November 2019, Nanjing Securities Co., Ltd. (南京證券股份有限公司) (stock code: 601990.SH) since May 2016 and GCL Energy Technology Co., Ltd. (協鑫能源科技股份有限公司) (stock code: 002015.SZ) since June 2019.

Dr. Li has been a director of China Audit Society (中國審計學會) since December 2009 and the vice president of Jiangsu Audit Society* (江蘇審計學會) since January 2019.

Dr. Li received his bachelor's degree in accounting from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 1997 and his master's degree in accounting from Shandong University of Economics (山東經濟學院) (currently known as Shandong University of Finance and Economics (山東財經大學)) in the PRC in June 2000. Dr. Li obtained his doctorate degree in accounting from Xiamen University (廈門大學) in July 2003. Dr. Li is qualified as a non-practicing certified public accountant issued by The Chinese Institute of Certified Public Accountants since December 2009.

Mr. Jiang Li (蔣立), aged 57, has been appointed as our independent non-executive director with effect from December 8, 2021. Mr. Jiang is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Jiang was the founder of Nanjing Tianjia Air-conditioning Equipment Co., Ltd.* (南京天加空調設備有限公司), which was later renamed as Nanjing Tianjia Environmental Technology Co., Ltd.* (南京天加環境科技有限公司) and had been appointed as its director and general manager in 1999, and has currently served as the chairman of the board of the same. Mr. Jiang served as a director of MayAir Technology (China) Co., Ltd (美埃(中國)環境科技股份有限公司) from July 2019 to March 2020 and was appointed as the chairman of its board since March 2020. Mr. Jiang has been a director of Guangzhou Smardt Chiller Manufacturing Co., Ltd.* (廣州思茂特冷凍設備製造有限公司) since January 2021. Mr. Jiang is also a member of the National Professional Standardization Technical Committee* (全國專業標準化技術委員會).

Mr. Jiang received his master's degree in business management from China Europe International Business School (中歐商學院) in the PRC in September 2009. During his career, Mr. Jiang was nominated as an innovative enterprise talent by the Ministry of Science and Technology* (科技部創新企業人才) and an excellent contributor to the cause of socialism with Chinese characteristics in Jiangsu Province* (江蘇省優秀中國特色社會主義事業建設者). Mr Jiang was also awarded the first prize and the second prize in China machinery industry science and technology* (中國機械工業科學技術一等獎及二等獎) and Nanjing science and technology progress award* (南京市科技進步獎).

Save as disclosed herein, none of the Directors have held directorships in any listed company over the past three years and none of our Directors and members of senior management are related to other Directors or members of senior management.

Saved as disclosed above (and their respective interests or short positions (if any) as set out in the section headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders" in Appendix IV), there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management team comprises our executive Directors, biographies of whom are set out in "– Directors – Executive Directors" above, and the following members:

Mr. Hu Yian (胡以安), aged 53, is our chief financial officer. Mr. Hu is primarily responsible for overseeing overall financial operations, financing and investment activities of our Group.

Mr. Hu joined our Group in April 2003 and has since served as the director and financial vice president of Nanjing Chervon Industry. Mr. Hu currently also serves as a director in a number of our subsidiaries. Mr. Hu has been a director of Chervon Auto Precision Technology, a company listed on the Shanghai Stock Exchange (stock code: 603982.SH), since October 2012. Prior to joining our Group, he was a financial manager of Nanjing Ericsson Panda Communication Co., Ltd.* (南京愛立信熊貓通信有限公司) from November 1995 to March 2003.

Mr. Hu received his bachelor's degree in industrial accounting from Northeast Institute of Technology (東北工學院) in the PRC in June 1992 and his master's degree in international management from The Australian National University in Australia in June 2001.

Mr. Wu Shuming (吳書明), aged 55, is our vice president for research and development. Mr. Wu is primarily responsible for supervising and managing the research and development system and leading technological development of our Group.

Mr. Wu joined our Group as an engineer in Nanjing Chervon Industry in June 1997. Mr. Wu was appointed as the general manager of R&D of our Group in March 2010. Prior to joining our Group, Mr. Wu was an engineer in Nanjing Soil Instrument Factory* (南京土壤儀器廠) from July 1989 to May 1997.

Mr. Wu received his bachelor's degree in vacuum technology and equipment from Hefei University of Technology (合肥工業大學) in the PRC in July 1989.

Mr. Wu Gang (吳鋼), aged 48, is our chief digital officer. Mr. Wu is primarily responsible for overseeing the digital strategy and information technology development of our Group.

Mr. Wu has extensive experience in managing the digital and information system at various companies in the automotive industry. He joined our Group as the chief digital officer on April 26, 2021. Prior to joining our Group, Mr. Wu was the IT system project manager of SAIC General Motors Co., Ltd. from April 1998 to July 2005, the IT application director and the IT PMO director of SAIC Motor Corporation Limited from August 2005 to July 2011, the chief IT director of industrial group of Nippon China Limited from July 2011 to March 2012, the IT director of Geely and Volvo China in April 2012 and the chief digital officer of SAIC MAXUS Automotive Co., Ltd. from February 2017 to July 2020.

Mr. Wu received his bachelor's degree in computer science and technology from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1996 and his master's degree in business administration from Fudan University (復旦大學) in the PRC in January 2008.

Mr. Zhang Ding (章鼎), aged 42, is our vice president for product management. Mr. Zhang is primarily responsible for overseeing the product planning and product management for our Group across all brands and categories.

Mr. Zhang joined our Group in March 2003 as the sales manager of Nanjing Chervon Industry. From 2006 to 2020, Mr. Zhang held various positions in Nanjing Chervon Industry, including the product manager, the product management director and the product management senior director, and has been the vice president for product management of Nanjing Chervon Industry since April 2020.

Mr. Zhang received his bachelor's degree in English from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in June 2001 and his master's degree in international marketing management from The University of Leeds in the UK in November 2002.

Ms. Shan Xiaodong (單曉東), aged 54, is our vice president for human resources. Ms. Shan is primarily responsible for overseeing human resources planning and management of our Group. Ms. Shan joined our Group in May 2017 as the vice president for human resources in Nanjing Chervon Industry.

Prior to joining our Group, Ms. Shan was a lecturer in School of Economics and Management of Inner Mongolia University (內蒙古大學經濟管理學院) from 1995 to 1996. Subsequently, Ms. Shan held senior human resources management positions in various companies, including serving as a human resources and administrative manager at BP China Ltd. from 2001 to 2003, the vice president for Asia Pacific human resources (亞太人力資源總監) of Hexion Inc. (previously Momentive Specialty Chemicals) from 2003 to 2015 and the vice president for human resources of Shanghai Fortune Map Trading Limited (上海運圖貿易有限公司) from 2015 to 2017.

Ms. Shan received her bachelor's degree in economic management from Fudan University (復旦大學) in the PRC in July 1988 and her master's degree in management from BI Norwegian School of Management in Norway in February 1999.

Mr. Peter John Melrose, aged 55, is our vice president for the European sales & marketing. Mr. Melrose is primarily responsible for supervising overall operations, management, strategic planning and sales and marketing development of our DIY power tools and OPE business in Europe.

Mr. Melrose joined our Group as a general manager of Chervon Europe in June 2007 and was appointed as the managing director of EGO Europe GmbH since November 2015. Prior to joining our Group, Mr. Melrose began his career with Black & Decker and held various sales, marketing and product development positions before joining NEC (UK) LTD as the European marketing manager. Mr. Melrose continued his career in marketing with one of the UK's foremost companies (Centrica plc) within its energy supply business (British Gas Trading Ltd) and re-joined the power tool industry in Europe as a commercial director with Global Machinery Company Pty.

Mr. Melrose received his bachelor's degree in civil engineering from Hatfield Polytechnic in the UK in July 1988 and his master's degree in business administration (MBA) with a major in strategic marketing from Hull University in the UK in July 1997.

Dr. Christian Neuner, aged 46, is our vice president for FLEX. Mr. Neuner is primarily responsible for supervising overall operations, management, strategic planning and sales and marketing development of the FLEX brand product.

Dr. Neuner joined our Group in August 2014 as the vice president of corporate strategy and development of Nanjing Chervon Industry. Dr. Neuner has subsequently held positions in a number of our subsidiaries, including the managing director of Chervon GmbH since October 2016, the managing director of Flex EL since May 2017, the managing director of Flex Geschäftsführungs GmbH since June 2017 and the chief executive officer of Flex Verwaltungs GmbH & Co. KG since January 2018. Prior to joining our Group, Dr. Neuner served as a project manager of Roland Berger Strategy Consultants GmbH from May 2003 to October 2010 and a principal of Roland Berger Management Consultants (Shanghai) Co., Ltd. from October 2010 to July 2014.

Dr. Neuner received his master's degree in business administration with a major in marketing and production and his doctorate degree in business administration from the University of Bayreuth in Germany in May 2002 and April 2009, respectively. Dr. Neuner has been one of the board members of the European Power Tool Association (EPTA) since January 2020 and has been elected as the vice president of the German Power Tool Association (ZVEI) in July 2021.

Save as disclosed above, none of our senior management team has been a director of any listed companies during the three years immediately prior to the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Hu Yian (胡以安), aged 52 was appointed as one of the joint company secretaries of our Company on August 4, 2021, which took effect on the same day.

See "– Senior Management" in this section above for his biography.

Ms. Chow Yuk Yin Ivy (周玉燕) was appointed as one of the joint company secretaries of our Company on August 4, 2021, which took effect on the same day.

Ms. Chow is a Director of Corporate Services of Tricor Services Limited. She has over 20 years of experience in the fields of corporate secretarial and compliance services. Ms. Chow obtained a Bachelor of Arts degree from The Hong Kong Polytechnic University and was qualified as chartered secretary and chartered governance professional. She has been admitted as a fellow of The Hong Kong Chartered Governance Institute, a fellow of The Chartered Governance Institute in the United Kingdom and an ordinary member of the Hong Kong Securities and Investment Institute since 2012.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit Committee

We have established an audit committee written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee comprises three members, namely Dr. Li Minghui, Mr. Tian Ming and Mr. Jiang Li, with Dr. Li Minghui (being our independent non-executive Director with the appropriate professional qualifications) as the chairperson of the audit committee.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Mr. Tian Ming, Ms. Zhang and Dr. Li Minghui, with Mr. Tian Ming as the chairperson of the remuneration committee.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Pan, Mr. Tian Ming and Mr. Jiang Li, with Mr. Jiang Li as the chairperson of the nomination committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules save for the below.

Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules, recommends, but does not require, that the roles of chairperson and chief executive should be separate and should not be performed by the same person. Our Company deviates from this provision as Mr. Pan performs both the roles of the Chairman of our Board and the chief executive officer of our Company. Mr. Pan is the principal founder of our Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Pan has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively.

Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of our Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for formal adoption.

Given one out of seven of our Directors is female upon Listing, we will continue to take steps to promote gender diversity at the Board of our Company. After the Listing, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of 20% female representation in our Board. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

The Nomination Committee is responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the Listing Date, the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See the section headed "Waivers from Strict Compliance with the Listing Rules – Waiver in relation to Management Presence in Hong Kong" in this prospectus for further details.

Qualification of one of our Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Mr. Hu. See the section headed "Waivers from Strict Compliance with the Listing Rules – Waiver in relation to our Joint Company Secretaries" in this prospectus for further details.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive and independent non-executive Directors receive compensation in the form of fees, salaries, allowances, bonuses and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration paid by us to our Directors for the three years ended December 31, 2018 and 2019 and 2020 and the six months ended June 30, 2021 were US$1.7 million, US$1.7 million, US$1.9 million and US$0.6 million, respectively. It is estimated that remuneration and benefit in kind (excluding any possible payment of discretionary bonus) equivalent to approximately US$1,849,000 in aggregate will be paid and granted to our Directors by us for the year ending December 31, 2021, based on the arrangements in force as of the date of this prospectus.

The aggregate amount of remuneration paid by us to our five highest paid individuals (including our Directors, senior management members and employees) for the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 were US$2.3 million, US$2.5 million, US$4.9 million and US$1.3 million, respectively.

No compensation was paid by us to our Directors and our five highest paid individuals as an inducement to join, or upon joining, our Group during the Track Record Period. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors had waived or agreed to waive any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on our highest paid individuals, please see Notes 8 and 9 to the Accountants' Report set out in Appendix I in this prospectus.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have an interest or a short position in our Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

			Shares held as of the date of this prospectus		Immediately after the Global Offering	
Name of shareholder	Name of Company	Nature of interest[1]	Number of Shares or interests held	Approximate percentage of interest in our Company or our subsidiary	Number of Shares or interests held	Approximate percentage of interest in our Company or our subsidiary[2]
Mr. Pan[3]	Our Company	Interest in controlled corporation	260,226,344	63.86%	260,226,344	54.28%
Panmercy[3]	Our Company	Beneficial owner	260,226,344	63.86%	260,226,344	54.28%
Ms. Zhang[4][5]	Our Company	Interest in controlled corporation	98,835,550	24.25%	98,835,550	20.62%
Green Hope[4]	Our Company	Beneficial owner	97,637,750	23.96%	97,637,750	20.37%
Mr. Ke[6]	Our Company	Interest in controlled corporation	27,118,822	6.66%	27,118,882	5.66%
Klamm[6]	Our Company	Beneficial owner	27,118,822	6.66%	27,118,822	5.66%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 479,431,411 Shares in issue immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised.

(3) Panmercy is wholly owned by Mr. Pan, who is also a director of Panmercy.

(4) 97,637,750 Shares are held by Green Hope, which is wholly owned by Ms. Zhang, who is also a director of Green Hope.

(5) 1,197,800 Shares are held by two offshore employee shareholding platforms, Sky Roc Investment Limited and NP Kun Investment Limited, pursuant to an employee incentive arrangement. Ms. Zhang is the sole director of the offshore shareholding platforms and is deemed to be interested in these Shares for the purposes of the SFO.

(6) Klamm is wholly owned by Mr. Ke, who is also a director of Klamm.

Save as disclosed above and in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Directors" in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

THE CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 Shares) that may be purchased for an aggregate amount of approximately US$210 million (or approximately HK$1.64 billion, calculated based on an exchange rate of US$1.00 to HK$7.7967) (the "**Cornerstone Investment**").

Assuming an Offer Price of HK$37.60, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 43,549,400 Offer Shares, representing approximately 60.56% of the Offer Shares pursuant to the Global Offering and approximately 9.08% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$40.60, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 40,331,400 Offer Shares, representing approximately 56.08% of the Offer Shares pursuant to the Global Offering and approximately 8.41% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$43.60, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 37,556,500 Offer Shares, representing approximately 52.22% of the Offer Shares pursuant to the Global Offering and approximately 7.83% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of business or through introduction by the Joint Representatives in the Global Offering.

The Cornerstone Investment will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an independent third party; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, the Directors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of Shares registered in its name or otherwise held by it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executives, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Investment and no specific approval from any stock exchange (if relevant) or its shareholder is required for the relevant cornerstone investment as each of them has general authority to invest.

Each of the Cornerstone Investors has confirmed that their subscription under the Cornerstone Investment will be financed by their own internal resources. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Investment, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

There is no delayed delivery arrangement for the Cornerstone Investors. Each Cornerstone Investor has agreed that it shall pay the relevant Offer Shares on or before the Listing Date. There will be no delayed settlement of payment.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation"; in such case, the amount allocated to each Cornerstone Investor will be scaled back on a *pro rata* basis. In the event that 50% of the total number of Offer Shares initially made available under the Global Offering is reallocated to the Hong Kong Public Offering, the amount of Offer Shares allocated to the Cornerstone Investors will be adjusted in proportion to their original subscription amount and represent, in aggregate, approximately 50% of the total number of Offer Shares initially available under the Global Offering. Assuming that the Over-allotment Option is fully exercised, the Offer Shares allocated to the Cornerstone Investors, in aggregate, will represent approximately 43.48% of the total number of Offer Shares (as enlarged by the exercise of the Over-allotment Option). Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around December 29, 2021.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Investment.

Value Partners Hong Kong

Value Partners Hong Kong Limited ("**Value Partners Hong Kong**"), was established in 1999. It acts as investment manager or investment advisor to certain investment funds. It is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 806) ("**Value Partners**"). Value Partners is one of Asia's largest independent asset management firms. It is headquartered in Hong Kong and operates in Shanghai, Shenzhen, Singapore, Malaysia and

London. Value Partners investment strategies cover equities, fixed income, multi-asset, quantitative investment solutions and alternatives for institutional and individual clients in the Asia Pacific, Europe and the United States. Value Partners has approximately US$10.7 billion of unaudited assets under management as at October 31, 2021.

Greenwoods

Greenwoods Asset Management Hong Kong Limited ("**Greenwoods**") is a private fund management company incorporated in Hong Kong with limited liability. Established in 2005, Greenwoods is one of the largest and earliest China-focused asset managers mainly specializing in investing into companies in the Greater China region. Greenwoods is the manager/advisor of funds such as Golden China Master Fund. Greenwoods focuses on fundamental research, value investments, and local due diligence. Investors of funds and accounts managed by Greenwoods mainly consist of global institutional investors such as sovereign wealth funds, university endowments, financial institutions, and family offices.

Prime Capital Funds

Dragon Billion China Master Fund ("**DBCMF**"), Dragon Billion Select Master Fund ("**DBSMF**") and Map 147 Segregated Portfolio ("**MAP 147**") (collectively, the "**Prime Capital Funds**") are investment funds or accounts managed or advised by Prime Capital Management Company Limited in its full discretion as investment manager or adviser. Prime Capital Management Company Limited, a company organized in Hong Kong with limited liability, is licensed with the SFC and registered with the US Securities and Exchange Commission. Each of DBCMF and DBSMF is an investment fund established in the Cayman Islands as an exempted company with limited liability. MAP 147 is a segregated portfolio of LMA SPC, an exempted segregated portfolio company organized in the Cayman Islands. Prime Capital Funds has approximately US$1.9 billion of assets under management as at November 30, 2021.

3W Fund

3W Fund Management Limited ("**3W Fund**") is incorporated in Hong Kong with limited liability and licensed by the SFC to carry out Type 9 (asset management) regulated activity. 3W Fund has agreed to procure certain investors, namely 3W Greater China Focus Fund and 3W Global Fund, that 3W Fund has discretionary investment management power over, to subscribe for such number of the Investor Shares. 3W Greater China Focus Fund and 3W Global Fund pursue to maximize absolute return and seek long-term capital growth primarily through fundamental investment principle with value approach.

IvyRock

IvyRock Asset Management (HK) Limited ("**IvyRock**") is incorporated with limited liability in Hong Kong in 2009 and licensed by the SFC to carry out Type 9 (asset management) regulated activity in 2014. The firm is ultimately owned by Mr. Yong HUANG. IvyRock is a discretionary investment manager of certain commingled funds and institutional separate managed account (together, the "**IvyRock Funds**"). IvyRock has approximately US$1.3 billion of assets under management as at November 30, 2021.

The IvyRock Funds pursue to achieve long-term capital appreciation by investing primarily in the listed securities of companies which have great exposure to the greater china region with a fundamentals-driven approach.

Ms. Luo

Ms. Luo Jinhong (駱錦紅) ("**Ms. Luo**") is the chairman of the board of directors and the chief executive officer of Xizang EVE Holding Company (西藏億緯控股有限公司) ("**Xizang EVE**"), a company incorporated in the PRC with limited liability and engaged in equity investment. Ms. Luo and her husband Mr. Liu Jincheng (劉金成) each holds 50% of equity interests in Xizang EVE, with Ms. Luo as the controlling shareholder of Xizang EVE. Ms. Luo and Xizang EVE have invested in EVE Energy Co., Ltd. (惠州億緯鋰能股份有限公司) ("**EVE Energy**"), a company listed on the growth enterprise board (ChiNext board) of the Shenzhen Stock Exchange (stock code: 300014.SZ) and a supplier of our Group. As of September 30, 2021, Xizang EVE and Ms. Luo hold equity interests of 32% and 1.27% in EVE Energy, respectively. As of December 10, 2021, EVE Energy has an approximate market value of RMB260 billion based on its closing price on the same day.

The table below sets forth details of the Cornerstone Investment:

Based on the Offer Price of HK$37.60 (being the low-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment Amount**	**Number of Offer Shares to be acquired(1)(2)**	**Approximate % of the Offer Shares**	**Approximate % of ownership**	**Approximate % of the Offer Shares**	**Approximate % of ownership**
Value Partners Hong Kong	US$50 million	10,367,900	14.42%	2.16%	12.54%	2.11%
Greenwoods	US$20 million	4,147,100	5.77%	0.87%	5.01%	0.85%
Prime Capital Funds	US$30 million	6,220,700	8.65%	1.30%	7.52%	1.27%
3W Fund	US$30 million	6,220,700	8.65%	1.30%	7.52%	1.27%
IvyRock	US$30 million	6,220,700	8.65%	1.30%	7.52%	1.27%
Ms. Luo	HK$390 million	10,372,300	14.42%	2.16%	12.54%	2.12%
Total	**US$210 million(1)**	**43,549,400**	**60.56%**	**9.08%**	**52.66%**	**8.88%**

Based on the Offer Price of HK$40.60 (being the mid-point of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment Amount**	**Number of Offer Shares to be acquired(1)(2)**	**Approximate % of the Offer Shares**	**Approximate % of ownership**	**Approximate % of the Offer Shares**	**Approximate % of ownership**
Value Partners Hong Kong	US$50 million	9,601,800	13.35%	2.00%	11.61%	1.96%
Greenwoods	US$20 million	3,840,700	5.34%	0.80%	4.64%	0.78%
Prime Capital Funds	US$30 million	5,761,000	8.01%	1.20%	6.97%	1.18%
3W Fund	US$30 million	5,761,000	8.01%	1.20%	6.97%	1.18%
IvyRock	US$30 million	5,761,000	8.01%	1.20%	6.97%	1.18%
Ms. Luo	HK$390 million	9,605,900	13.36%	2.00%	11.61%	1.96%
Total	**US$210 million(1)**	**40,331,400**	**56.08%**	**8.41%**	**48.77%**	**8.23%**

Based on the Offer Price of HK$43.60 (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Total investment Amount	Number of Offer Shares to be acquired(1)(2)	Assuming the Over-allotment Option is not exercised: Approximate % of the Offer Shares	Assuming the Over-allotment Option is not exercised: Approximate % of ownership	Assuming the Over-allotment Option is fully exercised: Approximate % of the Offer Shares	Assuming the Over-allotment Option is fully exercised: Approximate % of ownership
Value Partners						
Hong Kong	US$50 million	8,941,100	12.43%	1.86%	10.81%	1.82%
Greenwoods	US$20 million	3,576,400	4.97%	0.75%	4.32%	0.73%
Prime Capital Funds	US$30 million	5,364,700	7.46%	1.12%	6.49%	1.09%
3W Fund	US$30 million	5,364,700	7.46%	1.12%	6.49%	1.09%
IvyRock	US$30 million	5,364,700	7.46%	1.12%	6.49%	1.09%
Ms. Luo	HK$390 million	8,944,900	12.44%	1.87%	10.82%	1.82%
Total	**US$210 million(1)**	**37,556,500**	**52.22%**	**7.83%**	**45.41%**	**7.66%**

Notes:

(1) Calculated based on an exchange rate of US$1.00 to HK$7.7967.

(2) Subject to rounding down to the nearest whole board lot of 100 Shares.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Investment) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

As of the Latest Practicable Date, the issued shares of our Company comprised fully paid 407,515,411 ordinary shares. Pursuant to the Companies Ordinance, with effect from March 3, 2014, companies incorporated in Hong Kong no longer have an authorized share capital and there is no longer the concept of par value in respect of issued shares. Accordingly, our Company does not have authorized share capital and our Shares have no par value.

Details of the issued share capital of our Company immediately following the completion of the Global Offering are set out below:

Issued and to be issued, fully paid or credited as fully paid:	Number of Shares
Shares in issue as of the date of this prospectus	407,515,411
Shares to be issued pursuant to the Global Offering	71,916,000
Total	**479,431,411**

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares (i) which may be issued pursuant to the Over-allotment Option; or (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares, particulars of which are set out in the section headed "Statutory and General Information – A. Further Information about our Group – 3. Resolutions in Writing of the Shareholders of our Company passed on December 8, 2021" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in "Statutory and General Information – A. Further Information about our Group – 3. Resolutions in Writing of the Shareholders of our Company passed on December 8, 2021" in Appendix IV to this prospectus.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a global provider of power tools and outdoor power equipment ("**OPE**"). Our focus on innovation, especially lithium-ion battery system technology, has enabled us to achieve significant scale and rapid growth. According to the Frost & Sullivan Report, in 2020, we ranked the 13th and accounted for approximately 1.9% of the combined global power tool and OPE markets by revenue. We also ranked the 9th and accounted for approximately 1.7% of the global power tool market, and ranked the 10th and accounted for approximately 2.1% of the global OPE market, in each case by revenue, according to the same report. In 2020, the global electric power tools market accounted for 74.1% of the global power tools market, and the global electric OPE market accounted for 18.6% of the global OPE market, according to the Frost & Sullivan Report. Our global ranking by revenue for electric power tools rose from the 9th in 2018 to the 7th in 2020, and our global ranking by revenue for electric OPE rose quickly from the 7th in 2018 to the 2nd in 2020, according to the same source. From 2018 to 2020, our revenue from power tools grew by a CAGR of 16.9%, and our revenue from OPE grew by a CAGR of 62.8%.

We offer a comprehensive range of products under a portfolio of well-recognized brands, which are tailored to address the diverse needs of our end users around the world. Our power tools target both industrial/professional and consumer end users, and our OPE products target both premium and mass-market end users. We currently own five differentiated and well-recognized brands that cover key geographies and segments, namely *EGO*, *FLEX*, *SKIL*, *DEVON* and *X-TRON*. In particular, our *EGO* brand has gained strong recognition in the global electric OPE market since its establishment in 2013.

We will continue to focus on user-centric innovation and product offerings, which is supported by our integrated system of research and development, manufacturing and sales and distribution capabilities. Our broad end user base for lithium-ion battery powered products enables us to rapidly accumulate industry knowledge, technology know-how and end-user insights. Leveraging such knowledge and insights, we have been able to continuously introduce new products showcasing advanced technology and product advanced capabilities. We then produce these new, user-centric products in a consistently high-quality manner through our smart manufacturing system and distributing them through our multi-channel sales and distribution network. Our global operations and local market knowledge enable us to expand market shares and meet end user needs in our target markets. Our robust brand portfolio, which resonates with our end users, also helps solidify our market position.

We have achieved strong revenue growth and improved profitability during the Track Record Period. Our revenue increased at a CAGR of 31.9% from US$690.7 million in 2018 to US$1,200.9 million in 2020, which was significantly higher than the 4.9% for the global power tool and OPE industry over the same period, according to the Frost & Sullivan Report. Our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the six months ended June 30, 2021. Our gross profit increased at a CAGR of 44.9% from US$175.5 million in 2018 to US$368.7 million in 2020. In addition, our gross profit increased by 70.0% from US$147.7 million for the six months ended June 30, 2020 to US$251.1 million for the six months ended June 30, 2021. We recorded net loss of US$13.5 million for 2018 and net profit of US$36.1 million and US$48.4 million for 2019 and 2020, respectively. In addition, our profit increased significantly from US$20.5 million for the six months ended June 30, 2020 to US$91.2 million for the six months ended June 30, 2021. Our adjusted net loss (non-HKFRSs measure) was US$13.5 million for 2018, and our adjusted net profit (non-HKFRSs measure) was US$36.1 million, US$69.7 million, US$20.5 million and US$93.4 million in 2019 and 2020 and the six months ended June 30, 2020 and 2021. See "– Non-HKFRSs Measures."

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Factors Affecting Our Results of Operations

We are a global provider of innovative power tools and OPE. Our results of operations are affected by the following general factors:

- Economic conditions and consumer spending in our key markets, especially North America and Europe;

- Trends and developments in the power tools and OPE industry, such as growing consumer preference for lithium-ion battery powered products, deeper penetration of online sales channels;

- Fluctuations in the major currencies in which our revenue and costs are denominated, namely US dollar, Euro and RMB; and

- Changes in raw material prices, particularly with respect to (i) battery cells, (ii) metals such as copper and aluminum, (iii) electronic components such as printed circuit boards and (iv) plastic particle materials such as Nylon plastic (PA) and Polypropylene (PP).

Changes in any of these general industry conditions and our ability to adapt to such changes could affect our business and result of operations.

Specific Factors Affecting Our Results of Operations

Besides the general factors affecting the global power tools and OPE markets, our business and results of operations are also affected by company-specific factors, including the following major factors:

Competitiveness of our product portfolio and brand recognition

Our ability to continuously introduce new power tools and OPE products will be an important contributor to our future growth. During the Track Record Period, we introduced 751 new products, and lithium-ion battery powered products accounted for 65.2% of the total new products. We will continue to develop and upgrade our comprehensive product portfolio that combines advanced technologies with user-friendly designs. We will continue to focus on lithium-ion battery powered and smart power tools and OPE, which we believe represent the future of our industry. We expect our revenue growth to be driven in part by the continued enhancement of our product offerings.

Our growth in revenue and profitability will also depend in part on our ability to maintain and promote brand recognition by end users. We achieved rapid growth in large part through our five well-recognized, differentiated brands that cover both industrial/professional and consumer segments for power tools and premium and mass market segments for OPE, as well as most categories of power tools and OPE products. Supported by our end-user insights, advanced technologies and global sales and distribution network, our proprietary brands have gained strong recognition in their respective markets, and we expect that our brand strategy will continue to drive our growth.

Investment in technology and talents

We develop most of our key technologies in-house to achieve a rapid pace of innovation. Such technologies encompass (i) fundamental technologies including battery platforms, motors and electric controls, (ii) IoT and intelligent systems and (iii) product-specific technologies such as vibration and dust reduction. Accordingly, we dedicate significant resources towards research and development, and our product development and design staff accounted for 11.2% of our total employees as of June 30, 2021. We will continue to recruit and retain top talents to grow our strengths in key technologies. In addition, we will continue to invest in technologies such as advanced BMS, high-power vector electric control, intelligent parameter identification, and robotic and AI technologies. We expect our strategic focus on product innovation, technology and talents will further differentiate our power tools and OPE products, which will in turn enhance our competitiveness.

Effectiveness of sales and distribution network

During the Track Record Period, our products were sold to customers in more than 100 countries and regions, primarily in North America, Europe and Asia Pacific, including China. Our products are prominently featured and well recognized across sales channels that are familiar to our industrial, professional and consumer end users in our key markets. We have built a multi-channel sales and distribution network that involves close collaboration with a diverse group of business partners around the world, including national retailers, local retailers, distributors and e-commerce platforms. We will continue to expand and optimize our sales and distribution network by implementing tailored strategies for each market. For example, in North America and Europe, we will (i) maintain and strengthen our relationships with national retailers, such as large home centers and mass market retailers, as well as established distributors with significant experience in local markets and (ii) increase our penetration of online channels through partnerships with large online platforms such as *Amazon.com*. We believe our efforts to expand our sales and distribution network will continue to drive our future business growth.

Improvement of production system

We will continue to expand our production capacities to capitalize on the growing demands of our products as well as to strengthen our position in the power tools and OPE industry. In particular, we plan to establish two new production facilities in China, while implementing technological upgrades at our existing facilities. We will also strive to improve the efficiency and flexibility of our production system by further automating and digitalizing our production system, which we believe will improve our cost structure. We will optimize our module-based production process and enhance the versatility of our production lines. As we expand and optimize our production system, we expect our production cost as a percentage of our revenue to decrease.

IMPACT OF COVID-19 ON OUR OPERATIONS

The outbreak of COVID-19, which was declared a "pandemic" by the World Health Organization in March 2020, and its continued spread worldwide has introduced uncertainty and volatility in global markets. The outbreak has resulted in restrictions on travel, public transport and prolonged closures of workplaces which has had and may continue to have a material adverse effect on the global economy and may cause interruptions to our business. Furthermore, the COVID-19 pandemic and the resultant restrictions and closures may impact demand, supply and efficient functioning of markets.

While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak. In the first quarter of 2020, a substantial number of our production facilities and offices were closed for certain days. Specifically, our production facilities in Nanjing were closed for 13 days, and our production facility in Germany was closed for 12 days. As a result, our production volume has decreased in the first quarter of 2020. Furthermore, the COVID-19 pandemic has affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 outbreak in the beginning of 2020. By April 2020, these suppliers had resumed their normal delivery of components. The cost and time for transportation of our products in certain regions of the world also increased as a result of the impact of the COVID-19 pandemic. Furthermore, our overseas offices in North America and Europe were also temporarily closed for certain periods from February to April 2020.

In July 2021, a number of positive COVID-19 cases appeared in certain areas of Nanjing, PRC, where a majority of our production facilities and offices are located, and Yangzhou, PRC, where a number of our suppliers are located. In July and August of 2021, our production facilities and offices in Nanjing remained open and we have imposed social distancing, mask-wearing and mandatory virus testing requirements for our employees. However, for certain weeks in July and August 2021, some of our employees were subject to temporary stay at home orders and travel restrictions, and one of our main warehouses suspended operations for 16 days. Some of our suppliers also suspended operations or reduced production levels during such period. As a result, the outbreak caused delays to our supply chain, production schedule and product delivery. In addition, due to the impact of the pandemic, our manufacturing facility in Vietnam suspended operations for 8 days in July and August 2021, and gradually resumed production since August 2021. In the six months ended June 30, 2021, the designed annual production capacity of the Vietnam plant accounted for approximately 5% of our aggregate designed annual production capacity. In the third quarter of 2021, we have converted three leased properties into production facilities. Given the establishment of additional production facilities, our production capacity has increased since August 2021. As a result of the impact of the COVID-19 cases in Nanjing and Yangzhou, PRC and Vietnam, we expect our revenue growth for the third quarter of 2021 to slow down compared to prior periods. Our revenue increased by US$41.0 million, or 13.3%, from US$307.2 million for the three months ended September 30, 2020 to US$348.2 million for the same period in 2021. In comparison, our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the six months ended June 30, 2021.

We believe that the COVID-19 pandemic has not had a material adverse impact on our results of operations. Our revenue increased by 42.4% from US$843.6 million in 2019 to US$1,200.9 million in 2020, and by 68.9% from US$514.4 million in the six months ended June 30, 2020 to US$868.8 million in the same period in 2021. In the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, the utilization rates of our production facilities remained relatively stable at 96%, 90%, 91% and 92%, respectively. Furthermore, we generally did not incur penalties or charges for delays of product delivery caused by the COVID-19 pandemic, and our customer relationships have remained stable during the Track Record Period and up to the Latest Practicable Date.

At this point, we cannot accurately predict what effects the COVID-19 pandemic would have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities. For further details, please refer to to the section headed "Risk Factors – Risks Related to Our Industry and Business – Our business may be affected by the occurrence of contagious diseases, such as COVID-19" in this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated in Hong Kong on February 19, 1999 as a limited liability company with its registered office at Unit 04, 22/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kln, Hong Kong.

Our Company is an investment holding company. Our Company and its subsidiaries are principally engaged in researching, developing, manufacturing, testing, sales, and after-sale services for power tools and OPE products. The information of the principal subsidiaries is set out in Note 16 to the Accountants' Report in Appendix I to this prospectus.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2 to the Accountants' Report in Appendix I in this prospectus.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, our Group has adopted all applicable new and revised HKFRSs to the Track Record Period. The accounting policies set out in Note 2 to the Accountants' Report in Appendix I to this prospectus have been applied consistently throughout the Track Record Period and our Group has not adopted any new standards or interpretations that are effective for the accounting year beginning on or after January 1, 2021. The revised and new accounting standards and interpretations issued which effective for the accounting years beginning on or after January 1, 2021 and not yet adopted by our Group are set out in Note 42 to the Accountants' Report in Appendix I to this prospectus.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies is set forth in Note 2 to the Accountants' Report in Appendix I to this prospectus. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labor and appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Property, Plant and Equipment

Property, plant and equipment are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value). Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated Useful Life
Leasehold land	over the period of leases
Plant and buildings	20 years or remaining lease terms
Machinery and equipment	5 – 10 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 – 10 years

Share-based Payments

The fair value of share-based payment awards granted to employees is recognized as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number that vest (with a corresponding adjustment to the reserve).

Fair Value Measurement of Financial Instruments

Our financial instruments primarily include unlisted units in investment funds, insurance products, structured deposits and wealth management products, foreign currency forward contracts, foreign currency option contracts and trade receivables, among others. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as set forth below:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Please refer to Appendix I of the Accountants' Report for further details regarding the valuation methodology.

We are satisfied as to the basis for the valuation of Level 3 financial assets at fair value through profit or loss for the following reasons: (i) we have applied appropriate methodology and financial models, such as discounted cash flow, in preparing the valuation for the respective underlying assets; (ii) we have used reliable sources of information, such as official bank reports or audited financial statements of investment funds, as input into the valuation process; (iii) we have engaged qualified, independent professional third parties to assist us in preparing the valuation; and (iv) we have exercised care, diligence and independent judgment in overseeing the work performed by the professional third parties, including by setting appropriate scope, providing all material information and inquiring about the methodologies, assumptions and limitations used by the third parties.

As part of the procedures of our reporting accountants on our historical financial information as of and for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, for the purposes of expressing an opinion on such historical financial information taken as a whole, our reporting accountants have performed certain procedures in respect of our estimation on the valuation of financial assets at fair value. These procedures include, but are not limited to, assessing the relevant internal controls, evaluating the reasonableness of valuation models used by us, and reviewing the adequacy of the disclosures made in our historical financial information.

In respect of our financial assets measured within Level 3 fair value measurement, the Joint Sponsors have, among others: (i) discussed with our management in relation to the nature of the financial assets and the valuation methodology and financial models applied to determine the valuation; (ii) considered the work and procedures undertaken by the Directors and the Reporting Accountants and obtained and reviewed (a) the investment agreements of the Level 3 financial assets, (b) the audited financial statements of the investment funds, (c) the balance statements of the insurance products, structured deposits and wealth management products, (d) the agreements in respect of the trade receivables and (e) the valuation schedule prepared by our management on which the Directors' assessment of the Level 3 financial assets was based; and (iii) reviewed relevant notes in the Accountants' Report as contained in Appendix I to this prospectus and considered the Reporting Accountants' opinion on the historical financial information of the Group as a whole for the Track Record Period. Based on the above due diligence and having considered the opinions of the Directors and the Reporting Accountants, nothing has come to the Joint Sponsors' attention for them to cast doubt on the valuation of the Group's financial assets measured within level 3 fair value measurement as provided in the Accountants' Report.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Each item has also been expressed as a percentage of our revenue. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Consolidated Statements of Profit or Loss

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages and per share data)									
Revenue	690,698	100.0	843,578	100.0	1,200,902	100.0	514,359	100.0	868,797	100.0
Cost of sales	(515,173)	(74.6)	(588,325)	(69.7)	(832,190)	(69.3)	(366,701)	(71.3)	(617,688)	(71.1)
Gross profit	**175,525**	**25.4**	**255,253**	**30.3**	**368,712**	**30.7**	**147,658**	**28.7**	**251,109**	**28.9**
Other revenue	3,515	0.5	3,838	0.4	5,801	0.5	2,791	0.5	2,081	0.2
Other net (loss)/gain	(8,192)	(1.2)	943	0.1	(3,140)	(0.3)	(1,647)	(0.3)	19,754	2.4
Selling and distribution expenses	(100,527)	(14.5)	(128,083)	(15.2)	(179,447)	(15.0)	(73,411)	(14.3)	(96,418)	(11.1)
Administrative and other operating expenses	(45,378)	(6.6)	(48,932)	(5.8)	(82,843)	(6.9)	(25,280)	(4.9)	(32,614)	(3.8)
Research and development costs	(27,656)	(4.0)	(31,356)	(3.7)	(38,939)	(3.2)	(16,984)	(3.3)	(27,967)	(3.2)
(Loss)/profit from operations	**(2,713)**	**(0.4)**	**51,663**	**6.1**	**70,144**	**5.8**	**33,127**	**6.4**	**115,945**	**13.4**
Net finance costs	(17,164)	(2.5)	(19,754)	(2.3)	(17,357)	(1.4)	(8,070)	(1.5)	(7,895)	(0.9)
Share of profits of associates	4,287	0.6	9,206	1.1	6,724	0.6	155	0.0	2,801	0.3
Share of profits of a joint venture	1,176	0.2	1,233	0.1	–	–	–	–	–	–
(Loss)/profit before tax	**(14,414)**	**(2.1)**	**42,348**	**5.0**	**59,511**	**5.0**	**25,212**	**4.9**	**110,851**	**12.8**

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages and per share data)									
Income tax credit/(expense)	957	0.1	(6,266)	(0.7)	(11,123)	(1.0)	(4,721)	(0.9)	(19,612)	(2.3)
(Loss)/profit for the year/period	**(13,457)**	**(2.0)**	**36,082**	**4.3**	**48,388**	**4.0**	**20,491**	**4.0**	**91,239**	**10.5**
Attributable to:										
Equity shareholders of the Company	(14,084)	(2.1)	33,976	4.0	44,359	3.7	18,062	3.5	86,062	9.9
Non-controlling interest	627	0.1	2,106	0.3	4,029	0.3	2,429	0.5	5,177	0.6
(Loss)/profit for the year/period	**(13,457)**	**(2.0)**	**36,082**	**4.3**	**48,388**	**4.0**	**20,491**	**4.0**	**91,239**	**10.5**
Earnings per share										
Basic	(0.04)		0.09		0.11		0.05		0.21	
Diluted	(0.04)		0.09		0.11		0.05		0.21	

Non-HKFRSs Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use adjusted net profit and adjusted net profit margin as additional financial measures. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We believe that these non-HKFRSs measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We derive adjusted net profit from (loss)/profit for the year/period by excluding (i) listing expenses and (ii) equity settled share-based payment expenses. Listing expenses are one-off expenses in relation to the Global Offering. Equity settled share-based payment expenses are non-cash and non-operational in nature, and such amount may not directly correlate with the underlying performance of our business operations. Due to the non-recurring or non-cash nature of the abovementioned items, our management does not track such items as key operating or financial metrics internally when reviewing our performance since these items do not relate to our daily operation. Therefore, by eliminating the impacts of such items in the calculation of adjusted net profit, this measure could better reflect our underlying operating performance and could better facilitate the comparison of operating performance from year to year.

However, the terms adjusted net profit and adjusted net profit margin are not defined under HKFRSs. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations for this non-HKFRSs measure, when assessing our operating and financial performance, you should not consider adjusted net profit or adjusted net profit margin in isolation or as a substitute for (loss)/profit for the year/period or any other operating performance measure that is calculated in accordance with HKFRSs. In addition, because these non-HKFRSs measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. The following table reconciles our adjusted net (loss)/profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is (loss)/profit for the year/period:

	Year ended December 31,			**Six months ended June 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
	(In US$ thousands)				
(Loss)/profit for the year/period	(13,457)	36,082	48,388	20,491	91,239
Add:					
Listing expenses	–	–	272	–	2,122
Equity settled share–based payment expenses	–	–	21,077	–	–
Adjusted net (loss)/profit	**(13,457)**	**36,082**	**69,737**	**20,491**	**93,361**

We incurred an adjusted net loss (non-HKFRSs measure) of US$13.5 million in 2018 primarily due to (i) our increased investments in the OBM business, including marketing and research and development spending in 2018 and (ii) integration costs associated with our acquisition of the *SKIL* business. With respect to our investments in the OBM business, for example, we devoted substantial resources into developing *SKIL*-branded lithium-ion battery powered products, which did not launch in Europe market until the fourth quarter of 2018. Our gross profit margin for 2018 was also lower due to promotion of OBM products, particularly *EGO*, through price reductions in order to quickly gain market share. With respect to the *SKIL* integration costs, such costs primarily include: (a) replacing certain operational support, logistics and IT systems, (b) investing in additional research and development efforts, (c) increasing production capacity and (d) enhancing relevant marketing activities during the transition period. We were able to achieve an adjusted net profit (non-HKFRSs measure) of US$36.1 million and US$69.7 million in 2019 and 2020, primarily due to (i) the growth of sales from products targeting industrial/professional and premium end users, such as *EGO* OPE products and *FLEX* power tools, which usually had higher gross profit margins and (ii) improvement in our operational efficiency achieved by economies of scale.

The following table sets forth our adjusted net (loss)/profit margin for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
Adjusted net (loss)/profit margin (%)[1]	(2.0)	4.3	5.8	4.0	10.7

Note:

(1) Equals adjusted net (loss)/profit divided by revenue for the year/period and multiplied by 100%.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We are principally engaged in the manufacturing and sales of power tools and OPE products. During the Track Record Period, we generated revenue primarily from sale of goods. Revenue represents the fair value of the consideration received or receivable for the sales of our products which is recorded net of product returns, discounts and rebates and after eliminating intra-group sales during the Track Record Period.

Our revenue increased from US$690.7 million in the year ended December 31, 2018 to US$1,200.9 million in the year ended December 31, 2020, representing a CAGR of 31.9%. Such robust growth was primarily due to our ability to (i) continuously introduce new products with a strategic focus on lithium-ion battery powered products, (ii) establish industry-leading premium brands such as *EGO*, (iii) build strategic partnerships with leading national retailers, qualified distributors and large e-commerce platforms, particularly in the North America market, and (iv) grow our ODM business. Our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the same period in 2021. The significant growth in our total revenue during this period was also related to improvements in our product portfolio, brand recognition and sales and distribution network. For details of our products, please see the section headed "Business – Our Products" in this prospectus. Our sales volumes and average selling prices have both increased during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our sales volumes were 12.6 million, 12.7 million, 13.7 million, 5.8 million and 9.3 million, respectively. For the same years/periods, our average selling prices were US$54.87, US$66.13, US$87.62, US$88.39 and US$93.71, respectively.

Revenue by Product Category and Sub-category

The following table sets forth our revenue breakdown by product category and sub-category in an absolute amount and as a percentage of our total revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools	**483,370**	**70.0**	**549,680**	**65.2**	**661,081**	**55.1**	**278,887**	**54.2**	**451,066**	**51.9**
Cutting tools	163,057	23.6	156,702	18.6	241,094	20.1	104,291	20.3	161,723	18.6
Fixing tools	145,744	21.1	194,271	23.0	157,754	13.2	61,350	11.9	118,773	13.7
Surface treatment tools	60,677	8.8	70,355	8.3	114,585	9.5	50,736	9.9	78,174	9.0
Other power tools	113,892	16.5	128,352	15.3	147,648	12.3	62,510	12.1	92,396	10.6
Outdoor Power Equipment	**201,410**	**29.1**	**287,971**	**34.1**	**533,691**	**44.4**	**231,451**	**45.0**	**414,041**	**47.7**
Ride-on outdoor equipment	–	–	–	–	–	–	–	–	2,361	0.3
Walk-behind wheeled outdoor Equipment	70,408	10.1	96,932	11.5	187,244	15.5	95,780	18.6	166,571	19.2
Handheld outdoor tools	115,285	16.7	162,914	19.3	298,673	24.9	116,861	22.7	187,072	21.5
Other OPE	15,717	2.3	28,125	3.3	47,774	4.0	18,810	3.7	58,037	6.7
Others[1]	**5,918**	**0.9**	**5,927**	**0.7**	**6,130**	**0.5**	**4,021**	**0.8**	**3,690**	**0.4**
Total	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

Note:

(1) Others revenue primarily includes our sales of parts and components relating to a home appliance business.

Revenue by Product Category and End-user Segment

We offer a comprehensive range of power tools and OPE products. The following table shows the revenue of our product category and end-user segment by absolute amount and as a percentage of our total revenue for the years and periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools(1)	483,370	70.0	549,680	65.2	661,081	55.1	278,887	54.2	451,066	51.9
Industrial/ professional	210,863	30.5	240,939	28.6	235,644	19.6	120,481	23.4	211,678	24.3
Consumer	272,507	39.5	308,741	36.6	425,437	35.5	158,406	30.8	239,388	27.6
OPE(1)	201,410	29.1	287,971	34.1	533,691	44.4	231,451	45.0	414,041	47.7
Premium	175,700	25.4	216,361	25.6	459,133	38.2	209,260	40.7	341,572	39.3
Mass-market	25,710	3.7	71,610	8.5	74,558	6.2	22,191	4.3	72,469	8.4
Others(2)	5,918	0.9	5,927	0.7	6,130	0.5	4,021	0.8	3,690	0.4
Total revenue	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

Notes:

(1) Power Tools and OPE revenue includes tools, batteries and accessories in the respective category.

(2) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business.

Revenue from the sales of power tools increased by 13.7% from US$483.4 million in 2018 to US$549.7 million in 2019 and further increased by 20.3% to US$661.1 million in 2020. Revenue from the sales of power tools increased by 61.7% from US$278.9 million in the six months ended June 30, 2020 to US$451.1 million in the six months ended June 30, 2021. The growth was primarily driven by (i) introduction of new power tools with a focus on lithium-ion battery platforms under our proprietary brands, such as the launch of a new series of professional power tools on lithium-ion battery platforms in the first quarter of 2021, and (ii) expansion of our ODM power tool business.

Revenue from the sales of OPE products increased by 43.0% from US$201.4 million in 2018 to US$288.0 million in 2019 and further increased by 85.3% to US$533.7 million in 2020. Revenue from the sales of OPE increased by 78.8% from US$231.5 million in the six months ended June 30, 2020 to US$414.0 million in the six months ended June 30, 2021. The growth was primarily driven by (i) our successful expansion of *EGO* product lines and sales channels, which enabled us to seize market opportunities with respect to lithium-ion battery powered OPE, (ii) expansion of OPE business with key ODM customers and (iii) our launch of OPE products under the *SKIL* brand.

Revenue by Geographic Location and Sales and Distribution Channel

Our products are sold in more than 100 countries and regions worldwide, primarily in North America, Europe and Asia Pacific, including China. The following table sets forth the breakdown of our revenue by destination of shipment, each expressed in an absolute amount and as a percentage of total revenue for the years and periods indicated:

Countries/Regions	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
North America	383,675	55.6	506,900	60.1	798,913	66.4	321,707	62.5	572,683	65.9
Europe	232,995	33.7	257,821	30.6	297,260	24.8	140,757	27.5	207,752	23.9
China	56,564	8.2	61,540	7.3	69,295	5.8	38,820	7.5	61,378	7.1
ROW	17,464	2.5	17,317	2.0	35,434	3.0	13,075	2.5	26,984	3.1
Total revenue	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

The following table sets forth the breakdown of our revenue from OBM business by destination of shipment and sales and distribution channel, each expressed in an absolute amount and as a percentage of total revenue for the years and periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
North America	**258,504**	**37.4**	**286,478**	**34.0**	**548,787**	**45.7**	**236,420**	**46.0**	**424,423**	**48.8**
Retailers	237,222	34.3	261,857	31.1	494,845	41.2	221,872	43.2	378,301	43.5
Distributors	6,019	0.9	6,670	0.8	9,664	0.8	3,694	0.7	9,246	1.1
Pure-play e-commerce platform	15,263	2.2	17,951	2.1	44,278	3.7	10,854	2.1	36,876	4.2
Europe	**126,069**	**18.3**	**127,832**	**15.2**	**135,761**	**11.3**	**66,844**	**13.0**	**107,839**	**12.4**
Retailers	79,776	11.6	85,150	10.1	91,549	7.6	43,033	8.4	44,328	5.1
Distributors	45,228	6.5	41,827	5.0	43,434	3.6	23,427	4.5	62,590	7.2
Pure-play e-commerce platform	1,065	0.2	855	0.1	778	0.1	384	0.1	921	0.1

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
China[(1)]	**39,391**	**5.7**	**43,209**	**5.1**	**51,847**	**4.3**	**30,017**	**5.8**	**50,987**	**5.9**
ROW[(2)]	**7,874**	**1.1**	**7,625**	**0.9**	**9,918**	**0.8**	**2,978**	**0.6**	**7,897**	**0.9**
Total revenue from OBM business	**431,838**	**62.5**	**465,144**	**55.2**	**746,313**	**62.1**	**336,259**	**65.4**	**591,146**	**68.0**

Notes:

(1) In China, we primarily sell our products to distributors. We also offer our products through pure-play e-commerce channels.

(2) In other markets to which we distribute our products, such as Australia and New Zealand, we primarily sell our products to retailers. Our practices may vary in different markets subject to the local conditions.

North America

North America had the largest revenue contribution during the Track Record Period. Our revenue generated from North America grew from US$383.7 million in the year ended December 31, 2018 to US$798.9 million in the year ended December 31, 2020, representing a CAGR of 44.3%. Revenue generated from North America increased by 78.0% from US$321.7 million in the six months ended June 30, 2020 to US$572.7 million in the six months ended June 30, 2021. Our revenue growth in North America was primarily due to (i) expansion of our product portfolio associated with premium brand names, such as our *EGO*, *SKIL* and *FLEX* products, (ii) establishment and continued growth of our collaboration with certain major customers, (iii) expansion of network of distributors and local retailers and (iv) growth of our ODM business.

Europe

Our revenue from Europe grew form US$233.0 million in the year ended December 31, 2018 to US$297.3 million in the year ended December 31, 2020, representing a CAGR of 13.0%. Revenue generated from Europe increased by 47.6% from US$140.8 million in the six months ended June 30, 2020 to US$207.8 million in the six months ended June 30, 2021. Our revenue growth in Europe was primarily due to (i) increased revenue from sales of our *FLEX* power tools and *EGO* OPE products and (ii) continued strengths in our ODM business for European customers.

China

Our revenue from China grew from US$56.6 million in the year ended December 31, 2018 to US$69.3 million in the year ended December 31, 2020, representing a CAGR of 10.7%. Revenue generated from China increased by 58.2% from US$38.8 million in the six months ended June 30, 2020 to US$61.4 million in the six months ended June 30, 2021. Our revenue growth in China was primarily driven by our increased share in the industrial/professional power tool market.

Rest of the World

Our revenue from rest of the world grew from US$17.5 million in the year ended December 31, 2018 to US$35.4 million in the year ended December 31, 2020, representing a CAGR of 42.2%. Revenue generated from rest of the world increased by 106.1% from US$13.1 million in the six months ended June 30, 2020 to US$27.0 million in the six months ended June 30, 2021. Our revenue growth in rest of the world was primarily driven by the sale of *EGO* products in the Australia market and our ODM products.

Going forward, we expect our revenue generated from North America to grow in absolute terms and to account for an increasingly large portion of our total revenue. We are implementing strategies designed to increase our market share in North America, including, among others, (i) deepening our collaboration with major customers and e-commerce platforms, (ii) developing and introducing new products and (iii) expanding our network of distributors and local retailers. Meanwhile, we will continue our global expansion, devoting resources to promoting sales of our well-recognized *EGO*, *FLEX* and *SKIL* products in the North America and Europe markets, and to continue strengthening brand recognition for our *DEVON* products in China and other emerging markets.

Revenue by OBM and ODM Model and by Brand

We sell our products on both OBM and ODM basis. The following table sets forth revenue attributable to our OBM and ODM products by absolute amount and as a percentage of total revenue for the years and periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
OBM	431,838	62.5	465,144	55.2	746,313	62.1	336,259	65.4	591,146	68.0
EGO	175,330	25.3	216,360	25.7	459,126	38.1	209,260	40.8	341,420	39.3
FLEX	91,780	13.3	91,622	10.9	99,396	8.3	45,694	8.9	102,818	11.8
SKIL	127,749	18.5	115,272	13.7	138,892	11.6	52,615	10.2	98,175	11.3
DEVON	30,247	4.4	35,733	4.2	41,447	3.5	24,341	4.7	41,705	4.8
X-TRON	6,732	1.0	6,157	0.7	7,452	0.6	4,349	0.8	7,028	0.8
ODM	258,860	37.5	378,434	44.8	454,589	37.9	178,100	34.6	277,651	32.0
Total revenue	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

During the Track Record Period, revenue from our OBM business accounted for the majority of our revenue, growing from US$431.8 million in the year ended December 31, 2018 to US$746.3 million in the year ended December 31, 2020, representing a CAGR of 31.5%. Revenue from our OBM business increased by 75.8% from US$336.3 million in the six months ended June 30, 2020 to US$591.1 million in the six months ended June 30, 2021. Going forward, we expect sales through OBM business to increase as a portion of total revenue, as we plan to keep enhancing our product portfolio and strengthen our brand recognition.

Revenue by Power Source

The following table sets forth our revenue breakdown by power sources in an absolute amount and as a percentage of our total revenue for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools[1]	483,370	70.0	549,680	65.2	661,081	55.1	278,887	54.2	451,066	51.9
AC	336,307	48.7	302,095	35.8	370,093	30.8	165,227	32.1	231,084	26.6
DC	147,063	21.3	247,585	29.4	290,988	24.3	113,660	22.1	219,982	25.3
OPE[1]	201,410	29.1	287,971	34.1	533,691	44.4	231,451	45.0	414,041	47.7
AC	1,112	0.1	–	–	–	–	–	–	–	–
DC	200,298	29.0	287,971	34.1	533,691	44.4	231,451	45.0	414,041	47.7
Others[2]	5,918	0.9	5,927	0.7	6,130	0.5	4,021	0.8	3,690	0.4
Total	**690,698**	**100.0**	**843,578**	**100.0**	**1,200,902**	**100.0**	**514,359**	**100.0**	**868,797**	**100.0**

Note:

(1) Power Tools and OPE revenue includes tools, batteries and accessories in the respective category.

(2) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business.

Sales Volume by Product Category and End-user Segment

Set forth below is a breakdown of our sales volume by product category and end-user segment for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(Units in thousands)				
Power tools	9,954.5	9,992.7	10,267.8	4,450.0	6,975.3
Industrial/professional	3,055.9	2,999.1	2,833.2	1,534.0	2,259.1
Consumer	6,898.6	6,993.6	7,434.6	2,916.0	4,716.2
OPE	2,627.1	2,751.4	3,430.3	1,368.7	2,295.5
Premium	858.6	981.6	2,079.3	949.0	1,416.6
Mass-market	1,768.5	1,769.8	1,351.0	419.7	878.9
Total sales volume	**12,581.6**	**12,744.1**	**13,698.1**	**5,818.7**	**9,270.8**

Sales Volume by OBM and ODM and by Brand

Set forth below is a breakdown of our sales volume by business model and by brand for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(Units in thousands)				
OBM	4,289.9	4,032.4	5,497.5	2,597.2	4,463.9
EGO	858.6	981.6	2,079.3	945.5	1,379.7
FLEX	373.8	359.4	402.5	178.9	550.8
SKIL	2,098.3	1,711.5	1,956.8	798.8	1,400.3
DEVON	670.2	736.5	795.9	521.6	855.4
X-TRON	289.0	243.4	263.0	152.4	277.7
ODM	8,291.7	8,711.7	8,200.6	3,221.5	4,806.9
Total sales volume	**12,581.6**	**12,744.1**	**13,698.1**	**5,818.7**	**9,270.8**

Sales Volume by Geographic Region

Set forth below is a breakdown of our sales volume by geographic region for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	(Units in thousands)				
North America	6,396.3	6,247.5	7,582.6	2,814.4	4,913.8
Europe	4,244.4	4,144.5	3,089.4	1,635.0	2,238.5
China	1,751.6	2,029.7	2,445.0	1,114.0	1,647.1
ROW	189.3	322.4	581.1	255.3	471.4
Total sales volume	**12,581.6**	**12,744.1**	**13,698.1**	**5,818.7**	**9,270.8**

Average Selling Price by Product Category and End-User Segment

Set forth below is a breakdown of our average selling prices by product category and end-user segment for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
			(in US$)		
Power Tools	48.53	54.95	64.35	62.67	64.65
Industrial/professional	68.96	80.25	83.12	78.54	93.70
Consumer	39.48	44.10	57.19	54.32	50.74
OPE	76.63	104.55	155.49	169.09	180.41
Premium	204.53	220.19	220.68	220.48	241.18
Mass-market	14.53	40.42	55.15	52.88	82.46
Total	**54.87**	**66.13**	**87.62**	**88.39**	**93.71**

The average selling prices of our products increased from US$54.87 in 2018 to US$87.62 in 2020, and from US$88.39 in the six months ended June 30, 2020 to US$93.71 in the same period in 2021, which were primarily attributable to (i) the expansion of our OBM business, particularly the *EGO* products (for the premium OPE segment) and *FLEX* products (for the industrial/professional power tool segment), which typically have higher prices, as well as (ii) the increased proportion of sales from lithium-ion battery powered products, which typically have higher selling prices, relative to our total revenue. For the same reasons, average selling prices of both power tool and OPE segments increased during the Track Record Period.

The average selling prices of industrial/professional power tools increased from US$68.96 in 2018 to US$83.12 in 2020, and from US$78.54 in the six months ended June 30, 2020 to US$93.70 in the same period in 2021, primarily due to the increased proportion of sales from our *FLEX* products and from lithium-ion battery powered products, which typically have higher prices.

The average selling prices of consumer power tools increased from US$39.48 in 2018 to US$57.19 in 2020, primarily due to the increased proportion of sales from lithium-ion battery powered products, which typically have higher prices. The average selling prices of consumer power tools decreased from US$54.32 in the six months ended June 30, 2020 to US$50.74 in the same period in 2021, primarily due to our promotion of relevant products through price reductions in order to gain market shares.

The average selling prices of premium OPE increased from US$204.53 in 2018 to US$220.68 in 2020, and from US$220.48 in the six months ended June 30, 2020 to US$241.18 in the same period in 2021, primarily due to increases in the average selling prices of our *EGO* products.

The average selling prices of mass-market OPE increased from US$14.53 in 2018 to US$55.15 in 2020, and from US$52.88 in the six months ended June 30, 2020 to US$82.46 in the same period in 2021, primarily due to our launch of OPE products under the *SKIL* brand.

Average Selling Price by OBM and ODM and by Brand

Set forth below is a breakdown of our average selling prices by OBM and ODM business and by brand for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
			(in US$)		
OBM	100.61	115.23	135.67	129.46	132.43
EGO	204.10	220.19	220.68	221.30	247.53
FLEX	245.43	254.65	246.79	255.36	186.69
SKIL	60.85	67.28	70.93	65.87	70.04
DEVON	45.11	48.47	52.05	46.66	48.76
X-TRON	23.28	25.27	28.32	28.55	25.30
ODM	31.20	43.39	55.40	55.29	57.76
Total	**54.87**	**66.13**	**87.62**	**88.39**	**93.71**

The average selling prices of our OBM products increased from US$100.61 in 2018 to US$135.67 in 2020, and from US$129.46 in the six months ended June 30, 2020 to US$132.43 in the same period in 2021, which were primarily attributable to increased sales from our *EGO* and *FLEX* products, which typically have higher prices. The average selling prices also generally increased across our proprietary brands, such as *SKIL* and *DEVON*, which were primarily attributable to the increased proportion of lithium-ion battery powered products produced and sold under such brands.

The average selling prices of our *EGO* products increased from US$204.10 in 2018 to US$220.68 in 2020, and from US$221.30 in the six months ended June 30, 2020 to US$247.53 in the same period in 2021, primarily due to (i) our launch of product types with higher unit prices, such as mowers and (ii) our introduction of riding mower products in 2021, which have higher selling prices than other product types.

The average selling prices of *FLEX* products remained relatively stable at US$245.43 in 2018, US$254.65 in 2019 and US$246.79 in 2020. The average selling prices of *FLEX* products decreased from US$255.36 in the six months ended June 30, 2020 to US$186.69 in the same period in 2021, primarily due to our launch of a new *FLEX* product series in North America that have lower selling prices in order to gain market shares.

The average selling prices of *SKIL* products increased from US$60.85 in 2018 to US$70.93 in 2020, and from US$65.87 in the six months ended June 30, 2020 to US$70.04 in the same period in 2021, primarily due to the increased proportion of sales from lithium-ion battery powered products.

The average selling prices of *DEVON* products increased from US$45.11 in 2018 to US$52.05 in 2020, and from US$46.66 in the six months ended June 30, 2020 to US$48.76 in the same period in 2021, primarily due to the impact of the increased proportion of sales from lithium-ion battery powered products.

The average selling prices of *X-TRON* products increased from US$23.28 in 2018 to US$28.32 in 2020, primarily due to the increased proportion of sales from lithium-ion battery powered products. The average selling prices of *X-TRON* products decreased from US$28.55 in the six months ended June 30, 2020 to US$25.30 in the same period in 2021, primarily due to our promotion of *X-TRON* products through price reductions in order to gain market shares.

Cost of Sales

Our cost of sales comprises of direct material costs, direct labor costs and overhead costs. During the Track Record Period, cost of sales increased in line with increased revenue. Cost of sales amounted to US$515.2 million, US$588.3 million, US$832.2 million, US$366.7 million and US$617.7 million in the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, and represented 74.6%, 69.7%, 69.3%, 71.3% and 71.1% of our revenue for the same years or periods, respectively. From the year ended December 31, 2018 to the year ended December 31, 2019, our cost of sales declined as a percentage of revenue due to the rapid increase in sales and economies of scale. Our cost of sales remained relatively stable as a percentage of revenue in 2020 and the six months ended June 30, 2021.

The following table sets forth a breakdown of key components of cost of sales, expressed as an absolute amount and as a percentage of our total revenue, for the years and periods indicated.

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Direct material costs	418,591	60.6	475,497	56.4	678,560	56.5	297,474	57.9	504,171	58.0
Direct labor costs	25,300	3.7	30,610	3.6	42,486	3.5	16,164	3.1	33,480	3.9
Overhead costs(1)	71,283	10.3	82,219	9.7	111,144	9.3	53,063	10.3	80,037	9.2
Total cost of sales(2)	**515,173**	**74.6**	**588,325**	**69.7**	**832,190**	**69.3**	**366,701**	**71.3**	**617,688**	**71.1**

Notes:

(1) Overhead costs primarily consist of manufacturing costs, freight costs, duty costs and warehousing inbound/outbound handling costs.

(2) Our subcontracting costs are typically reflected in our cost of sales under direct material costs (such as whole machine purchase costs). Whole machine purchase costs are generally incurred when we purchase finished products from sub-contractors, which we will further sell to our customers. For the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, our subcontracting costs amounted to US$73.7 million, US$47.1 million, US$44.4 million and US$23.0 million, respectively, which amounted to 14.3%, 8.0%, 5.3% and 3.7% of our cost of sales during the same year or period.

Our direct material costs amounted to US$418.6 million, US$475.5 million, US$678.6 million, US$297.5 million and US$504.2 million in the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, and represented 60.6%, 56.4%, 56.5%, 57.9% and 58.0% of our revenue for the same years or periods, respectively.

Our direct labor costs amounted to US$25.3 million, US$30.6 million, US$42.5 million, US$16.2 million and US$33.5 million in the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, and represented 3.7%, 3.6%, 3.5%, 3.1% and 3.9% of our revenue for the same years or periods, respectively.

Our overhead costs amounted to US$71.3 million, US$82.2 million, US$111.1 million, US$53.1 million and US$80.0 million in the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, and represented 10.3%, 9.7%, 9.3%, 10.3% and 9.2% of our revenue for the same years or periods, respectively.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

In 2018, 2019 and 2020, our gross profit was US$175.5 million, US$255.3 million and US$368.7 million, respectively. Our overall gross profit margin was 25.4%, 30.3% and 30.7%, respectively, in the same years. In the six months ended June 30, 2020 and 2021, our gross profit was US$147.7 million and US$251.1 million, respectively. Our gross profit margin was 28.7% and 28.9%, respectively, in the same periods. During the Track Record Period, the overall increase in our gross profit margin was primarily due to (i) an increase in the share of our OBM business, which in general has higher gross profit margin than our ODM business, as a percentage of our total revenue, (ii) growth in the sales of high-end products, such as our *EGO* OPE products and *FLEX* power tools, which are typically sold at higher prices and (iii) economies of scale and reduced costs due to the expansion of, and operational improvement in, our production facilities.

Gross Profit and Gross Profit Margin by Product Category and Sub-Category

The following table sets forth a breakdown of our gross profit and gross profit margin by product category and sub-category for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools	**118,997**	**24.6**	**165,565**	**30.1**	**192,030**	**29.1**	**77,874**	**27.9**	**120,445**	**26.7**
Cutting tools	32,582	20.0	39,032	24.9	47,520	19.7	19,778	19.0	33,829	20.9
Fixing tools	46,654	32.0	69,377	35.7	59,385	37.6	21,726	35.4	40,928	34.5
Surface treatment tools	10,552	17.4	21,684	30.8	36,520	31.9	15,530	30.6	19,420	24.8
Other power tools	29,209	25.7	35,472	27.6	48,605	32.9	20,840	33.3	26,268	28.4
Outdoor Power Equipment	**55,266**	**27.4**	**88,752**	**30.8**	**175,503**	**32.9**	**68,997**	**29.8**	**130,274**	**31.5**
Ride-on outdoor equipment	–	–	–	–	–	–	–	–	561	23.8
Walk-behind wheeled outdoor equipment	16,236	23.1	24,613	25.4	57,559	30.7	26,281	27.4	47,726	28.7
Handheld outdoor tools	32,690	28.4	51,287	31.5	101,627	34.0	36,580	31.3	60,812	32.5
Other OPE	6,340	40.3	12,852	45.7	16,317	34.2	6,136	32.6	21,175	36.5
Others[(1)]	**1,262**	**21.3**	**936**	**15.8**	**1,179**	**19.2**	**787**	**19.6**	**390**	**10.6**

Note:

(1) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business.

Gross Profit and Gross Profit Margin by Product Category and End-user segment

The following table sets forth a breakdown of our gross profit and gross profit margin by product category and end-user segment for the years and periods indicated.

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Power Tools	118,997	24.6	165,565	30.1	192,030	29.1	77,874	27.9	120,445	26.7
Industrial/ Professional	57,563	27.3	76,338	31.7	68,613	29.1	33,744	28.0	56,179	26.5
Consumer	61,434	22.5	89,226	28.9	123,417	29.0	44,130	27.9	64,266	26.8
OPE	55,266	27.4	88,752	30.8	175,503	32.9	68,997	29.8	130,274	31.5
Premium	50,484	28.7	71,308	33.0	155,239	33.8	63,451	30.3	112,606	33.0
Mass-market	4,782	18.6	17,444	24.4	20,264	27.2	5,546	25.0	17,668	24.4
Others[1]	1,262	21.3	936	15.8	1,179	19.2	787	19.6	390	10.6

Note:

(1) Others revenue primarily includes our sales of parts and components to a company engaging in a home appliance business.

The gross profit margin for power tools increased from 24.6% in 2018 to 30.1% in 2019, and slightly declined to 29.0% in 2020, primarily due to (i) increased sales of our industrial/professional power tools such as *FLEX*, which are typically sold at higher prices, (ii) our focus on enhancing our lithium-ion battery powered products and (iii) economies of scale. The gross profit margin for power tools decreased from 27.9% in the six months ended June 30, 2020 to 26.7% in the six months ended June 30, 2021, primarily due to the appreciation of RMB against US dollar and rising raw material costs.

The gross profit margin for OPE increased from 27.4% in 2018 to 30.8% in 2019, and further to 32.9% in 2020, primarily due to (i) economies of scale, (ii) increase in market demand for our *EGO* products and (iii) our brand positioning primarily in the premium market, which typically has higher selling prices for OPE products. For the same reasons, the gross profit margin for OPE increased from 29.8% in the six months ended June 30, 2020 to 31.5% in the six months ended June 30, 2021.

Gross Profit and Gross Profit Margin by OBM and ODM Models

The following table sets forth a breakdown of our gross profit and gross profit margin by OBM and ODM business models and brands for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
OBM	122,270	28.3	147,836	31.8	246,403	33.0	100,188	29.8	186,825	31.6
ODM	53,255	20.6	107,417	28.4	122,309	26.9	47,470	26.7	64,284	23.2

The gross profit margin for OBM business increased from 28.3% in 2018 to 31.8% in 2019, and increased further to 33.0% in 2020, primarily due to increased revenue contributions from our *EGO* and *FLEX* brands, which generally have higher gross profit margins. For the same reason, the gross profit margin for OBM business increased from 29.8% for the six months ended June 30, 2020 to 31.6% for the same period in 2021.

The gross profit margin for our ODM business increased from 20.6% in 2018 to 28.4% in 2019 primarily due to increased revenue contribution from sales of higher end ODM products, which typically have higher profit margins. The gross profit margin decreased from 28.4% in 2019 to 26.9% in 2020 primarily due to the impact of the consolidation of the Nanjing Bovon business, which primarily manufactures bench tools that had lower profit margins. As of September 22, 2021, Nanjing Bovon has ceased operations and completed its deregistration process. We do not expect the deregistration process of Nanjing Bovon to affect the Group's results of operations as the entity's business has been transferred to the Group. For the same reason, the gross profit margin for ODM business decreased from 26.7% for the six months ended June 30, 2020 to 23.2% for the same period in 2021.

Gross Profit and Gross Profit Margin by Geographical Regions and Sales and Distribution Channels Under OBM Model

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical regions and sales and distribution channels under OBM model for the years and periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
North America	**64,300**	**24.9**	**87,911**	**30.7**	**178,106**	**32.5**	**65,670**	**27.8**	**137,735**	**32.5**
Retailers	57,931	24.4	80,780	30.8	163,416	33.0	61,604	27.8	124,762	33.0
Distributors	1,151	19.1	1,502	22.5	2,242	23.2	969	26.2	2,015	21.8
Pure-play e-commerce platform	5,219	34.2	5,630	31.4	12,447	28.1	3,097	28.5	10,958	29.7
Europe	**46,604**	**37.0**	**48,205**	**37.7**	**49,862**	**36.7**	**25,374**	**38.0**	**34,398**	**31.9**
Retailers	29,229	36.6	32,146	37.8	34,367	37.5	16,180	37.6	14,586	32.9
Distributors	16,965	37.5	15,800	37.8	15,252	35.1	9,061	38.7	19,420	31.0
Pure-play e-commerce platform	410	38.5	259	30.3	243	31.2	133	34.6	393	42.7
China[(1)]	**8,534**	**21.7**	**8,841**	**20.5**	**13,888**	**26.8**	**7,771**	**25.9**	**11,098**	**21.8**
ROW[(2)]	**2,832**	**36.0**	**2,879**	**37.8**	**4,547**	**45.8**	**1,373**	**46.1**	**3,594**	**45.5**

Notes:

(1) In China, we primarily sell our products to distributors. We also offer our products through pure-play e-commerce channels.

(2) In other markets to which we distribute our products, such as Australia and New Zealand, we primarily sell our products to retailers. Our practices may vary in different markets subject to the local conditions. The gross profit margins for ROW were higher because the sales of EGO products, which typically had higher profit margins, accounted for a larger proportion of our revenue from ROW.

Our gross profit margin for North America increased from 24.9% in 2018 to 30.7% in 2019, and further increased to 32.5% in 2020, primarily due to the expansion of our premium brands, such as *EGO*. Our gross profit margin for North America increased from 27.8% in the six months ended June 30, 2020 to 32.5% in the six months ended June 30, 2021 for the same reason.

Our gross profit margin for Europe remained relatively stable at 37.0%, 37.7% and 36.7% in 2018, 2019 and 2020, respectively. Our gross profit margin for Europe declined from 38.0% in the six months ended June 30, 2020 to 31.9% in the six months ended June 30, 2021, primarily due to the increased sales from *SKIL* products that generally had lower profit margins.

Other Revenue and Other Net Loss or Gain

Other Revenue

Our other revenue primarily consists of (i) government grants, which include financial subsidies that we receive from local governments in recognition of our contributions to technology innovation and regional business development, (ii) income from sale of scrap materials, and (iii) rental income, which represented leasing of our properties. Government grants were given at the discretion of the relevant government authorities. There is no assurance that similar grants will be made to us in any future period. In 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, our other revenue was US$3.5 million, US$3.8 million, US$5.8 million, US$2.8 million and US$2.1 million, respectively, representing 0.5%, 0.4%, 0.5%, 0.5% and 0.2% of revenue, respectively.

The following table sets forth the breakdown of the key components of our other revenue for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
	(In US$ thousands)				
Government grants[(1)]	855	888	3,650	1,719	1,027
Sale of scrap materials	596	935	1,058	617	878
Rental income[(2)]	1,571	1,819	1,093	455	176
Others	493	196	–	–	–
	3,515	3,838	5,801	2,791	2,081

Notes:

(1) Represent unconditional government grants as rewards of the Group's contribution to technology innovation and regional economic development.

(2) Represents rental income from leasing a property, which included certain office space and was held by Jiuhao Electromechanical. As of March 8, 2021, we no longer hold any interest in Jiuhao Electromechanical.

Other Net Loss or Gain

Our other net loss or gain primarily consists of (i) net foreign exchange gain or loss and (ii) net realized and unrealized losses or gains on derivative financial instruments. We had other net gain of US$0.9 million and US$19.8 million in 2019 and six months ended June 30, 2021, representing 0.1% and 2.4% of our revenue, respectively. The other net gain of US$19.8 million in the six months ended June 30, 2021 was primarily attributable to our sales of interests in Jiuhao Electromechanical. We also had other net loss of US$8.2 million, US$3.1 million and US$1.6 million in 2018, 2020 and six months ended June 30, 2020, representing 1.2%, 0.3% and 0.3% of our revenue, respectively. Our net loss or gain was primarily attributable to fluctuations in foreign exchange rates, particularly between RMB and US dollars.

The following table sets forth the breakdown of the key components of our other net loss or gain for the years and periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
			(in US$ thousands)		
Net foreign exchange gain/(loss)	2,617	466	(11,497)	(584)	(5,374)
Net (loss)/gain on disposal of properties, plants and equipment	(320)	(74)	(43)	(4)	(196)
Net realized and unrealized (losses)/gains on financial assets at FVPL	(83)	(41)	165	430	454
Net realized and unrealized (losses)/gains on derivative financial instruments	(10,419)	(810)	8,209	(1,501)	3,686
Loss on disposal of associates and a joint venture	–	–	(131)	–	(677)
(Loss)/gain on disposal of a subsidiary	–	(4)	–	–	21,969
Gain on business combination	–	1,326	–	–	–
Others	13	80	157	12	(108)
	(8,192)	943	(3,140)	(1,647)	19,754

Research and Development Costs

Our research and development costs primarily consist of (i) employees' salaries and benefits, (ii) share-based compensation, (iii) research and development material costs, (iv) depreciation and amortization and (v) intellectual rights application fees. The following table sets forth a breakdown of our research and development costs, each expressed in the absolute amount and as a percentage of our total revenue, during the Track Record Period:

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Employees' salaries and benefits	20,315	3.0	23,865	2.8	27,577	2.3	14,261	2.8	22,690	2.6
Share-based compensation	–	–	–	–	4,841	0.4	–	–	–	–
Research and development material costs	3,599	0.5	3,408	0.4	2,318	0.2	982	0.2	2,743	0.3
Depreciation and amortization	1,202	0.2	1,357	0.2	1,442	0.1	729	0.1	1,011	0.1
Intellectual rights application fees	1,020	0.1	1,242	0.1	1,332	0.1	531	0.1	836	0.1
Others[(1)]	1,520	0.2	1,484	0.2	1,429	0.1	481	0.1	687	0.1
Total research and development costs	**27,656**	**4.0**	**31,356**	**3.7**	**38,939**	**3.2**	**16,984**	**3.3**	**27,967**	**3.2**

Note:

(1) Primarily include leasing expenses, travel expenses, office expenses and other fees.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our research and development costs amounted to US$27.7 million, US$31.4 million, US$38.9 million, US$17.0 million and US$28.0 million, respectively, representing 4.0%, 3.7%, 3.2%, 3.3% and 3.2% of our revenue during the same periods. Our research and development expenses increased as an absolute amount during the Track Record Period primarily due to an increase in employees' salaries and benefits resulting from the increased headcount and average compensation for research and development staff, as well as share-based compensation expenses, which was the result of our continuous focus on research of key technologies. Our research and development costs generally decreased as a percentage of our total revenue primarily due to the rapid increase in sales and economies of scale.

Selling and Distribution Expenses

Selling and distribution costs primarily consist of (i) employees' salaries and benefits, (ii) share-based compensation, (iii) marketing expenses, (iv) warranty expenses and (v) depreciation and amortization. The following table sets forth a breakdown of our selling and distribution expenses, each expressed in the absolute amount and as a percentage of our total revenue, during the Track Record Period:

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Employees' salaries and benefits	33,268	4.8	36,148	4.3	40,830	3.4	17,517	3.4	22,549	2.6
Share-based compensation	–	–	–	–	3,063	0.3	–	–	–	–
Marketing expenses	44,070	6.4	58,001	6.9	83,806	7.0	42,507	8.3	56,893	6.5
Warranty expenses	9,900	1.4	22,056	2.6	38,624	3.2	9,312	1.8	11,660	1.3
Depreciation and amortization	1,826	0.3	2,192	0.3	2,509	0.2	815	0.2	1,268	0.1
Others[(1)]	11,463	1.6	9,686	1.1	10,615	0.9	3,260	0.6	4,048	0.5
Total selling and distribution expenses	**100,527**	**14.5**	**128,083**	**15.2**	**179,447**	**15.0**	**73,411**	**14.3**	**96,418**	**11.1**

Note:

(1) Primarily include travel expenses, office expenses, IT expenses and consulting fees.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our selling and distribution expenses amounted to US$100.5 million, US$128.1 million, US$179.4 million, US$73.4 million and US$96.4 million, respectively, representing 14.5%, 15.2%, 15.0%, 14.3% and 11.1% of our revenue during the same periods. Our selling and distribution expenses increased as an absolute amount during the Track Record Period, primarily due to (i) an increase in our marketing expenses driven by our advertisement and promotional activities and (ii) an increase in warranty expenses driven by our increased sales, partially offset by a reduction in travel expenses in 2020 due to the impact of the COVID-19 pandemic. Our selling and distribution costs generally decreased as a percentage of our total revenue, primarily due to the rapid increase in sales.

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consist of (i) employees' salaries and benefits, (ii) share-based compensation, (iii) depreciation and amortization, (iv) auditing and consulting fees and (v) IT expenses. The following table sets forth a breakdown of our administrative and other operating expenses, each expressed in an absolute amount and as a percentage of our total revenue, during the Track Record Period:

	Year Ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(Unaudited)			
	(in thousands, except for percentages)									
Employee's salaries and benefits	26,642	3.9	27,173	3.2	41,956	3.5	12,936	2.5	17,049	2.0
Share-based compensation	–	–	–	–	12,777	1.1	–	–	–	–
Depreciation and amortization	6,182	0.9	6,815	0.8	6,092	0.5	2,947	0.6	3,728	0.4
Auditing and consulting fees	2,974	0.4	2,609	0.3	8,235	0.7	1,787	0.3	4,407	0.5
IT expenses	2,900	0.4	3,317	0.4	3,633	0.3	1,242	0.2	1,467	0.2
Others(1)	6,680	1.0	9,018	1.1	10,150	0.8	6,368	1.3	5,963	0.7
Total administrative and other operating expenses	**45,378**	**6.6**	**48,932**	**5.8**	**82,843**	**6.9**	**25,280**	**4.9**	**32,614**	**3.8**

Note:

(1) Primarily include office expenses, maintenance services, travel expenses, tax and asset impairment losses.

In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our administrative and other operating expenses amounted to US$45.4 million, US$48.9 million, US$82.8 million, US$25.3 million and US$32.6 million, respectively, representing 6.6%, 5.8%, 6.9%, 4.9% and 3.8% of our revenue during the same periods. Our administrative and other operating expenses increased as an absolute amount during the Track Record Period primarily due to (i) increases in employees' salaries and benefits resulting from our business expansion and (ii) share-based compensation awarded to certain employees. Our administrative and other operating expenses generally maintained stable as a percentage of our total revenue during the Track Record Period.

Net Finance Costs

Our finance income primarily consists of interest income from bank deposits. Our finance costs primarily consist of (i) interest on bank loans and (ii) interest on lease liabilities. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our net finance costs amounted to US$17.2 million, US$19.8 million, US$17.4 million, US$8.1 million and US$7.9 million, respectively, representing 2.5%, 2.3%, 1.4%, 1.5% and 0.9% of our revenue during the same periods.

Share of Profits of Associates and a Joint Venture

Our share of profits primarily consists of share of profits from associates and a joint venture. In the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, our share of profits of associates and a joint venture amounted to US$5.5 million, US$10.4 million, US$6.7 million, US$0.2 million and US$2.8 million, respectively. During the Track Record Period, our share of profits of associates was primarily attributable to our interests in Chervon Auto Precision Technology, which primarily engaged in manufacturing, research and development and sales of auto parts. During the Track Record Period, our share of profits of a joint venture was primarily attributable to our interests in Nanjing Bovon, which was a joint venture among the Group, Bosch (China) Investment Ltd. and Scintilla A.G. and was primarily engaged in the manufacturing, research and development and sales of power tools and OPE products. As of September 22, 2021, Nanjing Bovon has ceased operations and completed its deregistration process. Please refer to the section headed "History, Reorganization and Corporate Structure" of this prospectus and Notes 17 and 18 of the Accountants' Report for further details.

Taxation

Income tax expense primarily represents our total current and deferred tax expenses under the relevant income tax rules and regulations in the jurisdictions where we operate. In 2019 and 2020 and the six months ended June 30, 2020 and 2021, our effective tax rates were 14.8%, 18.7%, 18.7% and 17.7%, respectively. Effective tax rate was inapplicable to 2018, when we recorded a loss before taxation. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all of our tax obligations and did not have any material unresolved tax disputes.

The following table sets forth the components of income tax expense in absolute amounts for the years indicated:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
	(In US$ thousands)				
Current tax					
PRC corporate income tax	227	789	1,253	726	4,969
Hong Kong profits tax	–	–	2,916	1,716	7,856
Tax jurisdictions outside PRC and Hong Kong	598	4,241	5,869	3,444	2,387
Deferred tax	(1,782)	1,236	1,085	(1,165)	4,400
Total income tax (credit)/expense	**(957)**	**6,266**	**11,123**	**4,721**	**19,612**

Pursuant to the income tax rules and regulations of Hong Kong, the Company and the subsidiary in Hong Kong were subject to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021.

The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiary.

According to the Administrative Measures for Determination of High-Tech Enterprises (高新技術企業認定管理辦法) (國科發火[2016] No. 32), Nanjing Chervon Industry, which is our PRC subsidiary, obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2016 to 2019, and renewed the qualification from 2019 to 2021.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC tax resident enterprises are levied withholding tax on dividends from their PRC resident investees for intra-group earnings accumulated beginning on January 1, 2008, at 10% (unless reduced by tax treaties or similar arrangements), respectively. Undistributed earnings generated prior to 2008 are exempt from such withholding tax.

Under the arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution). We met the beneficial owner requirements in 2015 and were entitled to a preferential rate of 5% since 2015.

Pursuant to the income tax rules and regulations of the United States, our subsidiaries in the United States was liable to United States federal income tax at a rate of 21% comprising federal income tax at a flat rate and state income tax at a rate ranging from 0.75% to 9.99% during the Track Record Period.

Pursuant to the income tax rules and regulations of the United Kingdom, our subsidiary in the United Kingdom was liable for the United Kingdom corporation tax at a rate of 20% during the Track Record Period.

Pursuant to the income tax rules and regulations of Germany, Chervon GmbH, Flex Geschaftsfuhrungs GmbH, Flex Verwaltungs GmbH & Co.KG, Flex-Elektrowerkzeuge Gmb and EGO Europe GmbH were liable for German corporate tax at a rate between 22.825% and 26.825% determined by municipalities during the Track Record Period.

Pursuant to the rules and regulations of Australia, our subsidiary in Australia was liable for the Australia corporation tax at a rate of 27.5% during the Track Record Period.

Pursuant to the rules and regulations of Canada, our subsidiary in Canada was liable for the Canada corporation tax at a rate of 26.5% during the Track Record Period.

Pursuant to the rules and regulations of the Netherlands, our subsidiaries in Netherlands was liable for the Netherlands corporation tax at a rate of 25% during the Track Record Period.

Pursuant to the rules and regulations of Czech, our subsidiary in Czech was liable for the Czech corporation tax at a rate of 19% during the Track Record Period.

Pursuant to the rules and regulations of Belgium, our subsidiary in Belgium was liable for the Belgium corporation tax at a rate of 25% during the Track Record Period.

Pursuant to the rules and regulations of Italy, our subsidiary in the Italy was liable to the Italian corporation tax at a rate of 24% during the Track Record Period. FLEX Italia, our Italy-based subsidiary, has been subject to a tax dispute with relevant Italian tax authorities. Please refer to the section headed "Business – Transfer Pricing Policy" for further details.

Pursuant to the rules and regulations of France, our subsidiary in France was liable for the France corporation tax at a rate of 28% during the Track Record Period.

Pursuant to the Vietnam Investment Law and the approval of Industry Zone Committee of Tinh Binh Duong, our subsidiary in the Vietnam was entitled to a tax exemption for 2020 and 2021 and a preferential income tax rate of 10% from 2022 to 2025.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

Revenue

Our revenue increased by 68.9% from US$514.4 million for the six months ended June 30, 2020 to US$868.8 million for the six months ended June 30, 2021.

Power tools

Our revenue from sales of power tools increased by 61.7% from US$278.9 million for the six months ended June 30, 2020 to US$451.1 million for the six months ended June 30, 2021. Such growth was primarily due to increased sales of our *SKIL* and *FLEX* power tools in the North America and Europe markets, supported by our brand awareness initiatives and strengthened partnerships with major retailers, distributors and e-commerce platforms.

OPE products

Our revenue from sales of OPE products increased by 78.8% from US$231.5 million for the six months ended June 30, 2020 to US$414.0 million for the six months ended June 30, 2021. Such growth was primarily due to increased sales of our *EGO* and *SKIL* OPE products in the North America market, supported by our brand awareness initiatives and strengthened partnerships with major retailers, distributors and e-commerce platforms.

Cost of Sales

Our cost of sales increased by 68.4% from US$366.7 million for the six months ended June 30, 2020 to US$617.7 million for the six months ended June 30, 2021 primarily due to increases in cost of raw materials and labor cost, which were in line with our business growth. Our cost of sales as a percentage of our revenue decreased from 71.3% to 71.1% for the same periods, primarily due to economies of scale and our enhanced ability to control and manage cost to improve our profitability.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 70.0% from US$147.7 million for the six months ended June 30, 2020 to US$251.1 million for the six months ended June 30, 2021. Our gross profit margin slightly increased from 28.7% to 28.9%, primarily due to an increase in the proportion of revenue contribution from our OBM business, particularly *EGO*-branded products.

Our gross profit for power tools increased by 54.6% from US$77.9 million for the six months ended June 30, 2020 to US$120.4 million for the six months ended June 30, 2021. Our gross profit margin for power tools declined from 27.9% to 26.7%, respectively, for the same periods.

Our gross profit for OPE increased by 88.8% from US$69.0 million for the six months ended June 30, 2020 to US$130.3 million for the six months ended June 30, 2021. Our gross profit margin for OPE increased from 29.8% to 31.5% for the same respective periods, primarily due to the rapid growth in the sales of *EGO* OPE products, which typically target the premium market and are sold at higher prices.

Other Revenue and Other Net Loss or Gain

Our other revenue decreased from US$2.8 million for the six months ended June 30, 2020 to US$2.1 million for the six months ended June 30, 2021. Our other revenue as a percentage of our revenue decreased from 0.5% for the six months ended June 30, 2020 to 0.2% for the six months ended June 30, 2021.

Our other net losses US$1.6 million for the six months ended June 30, 2020 turned to other net gains of US$19.8 million for the six months ended June 30, 2021. The increase was primarily due to our net gain on disposal of a subsidiary of US$22.0 million, which was attributable to our sales of interests in Jiuhao Electromechanical. Please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus for more details. Our other net loss or gain as a percentage of our total revenue increased from negative 0.3% for the six months ended June 30, 2020 to 2.4% for the six months ended June 30, 2021.

Research and Development Costs

Our research and development costs increased by 64.7% from US$17.0 million for the six months ended June 30, 2020 to US$28.0 million for the six months ended June 30, 2021, primarily due to an increase in employees' salaries and benefits. Our research and development costs as a percentage of revenue decreased from 3.3% to 3.2%, primarily due to the rapid increase in our sales.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 31.3% from US$73.4 million for the six months ended June 30, 2020 to US$96.4 million for the six months ended June 30, 2021, primarily due to (i) an increase in employees' salaries and benefits and (ii) an increase in marketing expenses attributable to increased spending on marketing and promotional activities. Our selling and distribution expenses as a percentage of revenue decreased from 14.3% to 11.1%, primarily due to the rapid increase in our sales.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 28.9% from US$25.3 million for the six months ended June 30, 2020 to US$32.6 million for the six months ended June 30, 2021, primarily due to increases in auditing and consulting fees and reduced asset impairment losses. Our administrative and other operating expenses as a percentage of revenue decreased from 4.9% to 3.8%, primarily due to our ability to control costs, rapid increase in our sales and economies of scale.

Net Finance Costs

Our finance costs increased by 1.2% from US$8.3 million for the six months ended June 30, 2020 to US$8.4 million for the six months ended June 30, 2021, primarily due to a decrease in interest rates on our bank borrowings. Our finance income increased from US$0.2 million for the six months ended June 30, 2020 to US$0.5 million for the six months ended June 30, 2021. As a result, our net finance costs decreased by 2.5% from US$8.1 million for the six months ended June 30, 2020 to US$7.9 million for the six months ended June 30, 2021, which represented 1.5% and 0.9% of our total revenue during the same periods.

Share of Profits of Associates

We recorded a share of profits of associates of US$0.2 million for the six months ended June 30, 2020, while we recorded a share of profits of associates and a joint venture of US$2.8 million for the six months ended June 30, 2021.

Profit before Tax

As a result of the foregoing, our profit before tax increased significantly from US$25.2 million for the six months ended June 30, 2020 to US$110.9 million for the six months ended June 30, 2021.

Income Tax Expense

Our income tax expense increased significantly from US$4.7 million for the six months ended June 30, 2020 to US$19.6 million for the six months ended June 30, 2021, primarily due to a significant increase in our taxable income due to an increase in sales revenue. Additionally, for the six months ended June 30, 2020 and 2021, our effective tax rates were 18.7% and 17.7%, respectively. The increase in effective tax rates was primarily due to increases in taxable income of our subsidiaries in jurisdictions with higher tax rates.

Profit for the Period

As a result of the foregoing, our net profit for the period increased significantly from US$20.5 million for the six months ended June 30, 2020 to US$91.2 million for the six months ended June 30, 2021. Our net profit margin increased from 4.0% for the six months ended June 30, 2020 to 10.5% for the six months ended June 30, 2021.

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

Revenue

Our revenue increased by 42.4% from US$843.6 million for the year ended December 31, 2019 to US$1,200.9 million for the year ended December 31, 2020. Such growth was primarily driven by increases in revenue from both power tools and OPE product segments.

Power tools

Our revenue from sales of power tools increased by 20.3% from US$549.7 million for the year ended December 31, 2019 to US$661.1 million for the year ended December 31, 2020. Our OBM business experienced strong growth primarily driven by the increased sales of our *SKIL* power tool products in the North America market, which are supported by (i) our strategic partnership with a leading national retailer, (ii) our expanding network of quality distributors and (iii) cooperation with leading online e-commerce platforms. Our ODM business also experienced growth in revenue, albeit at a relatively lower rate compared to our OBM business.

OPE products

Our revenue from sales of OPE products increased by 85.3% from US$288.0 million for the year ended December 31, 2019 to US$533.7 million for the year ended December 31, 2020. Such growth was primarily due to continued strong growth in the sales of *EGO* products.

Cost of Sales

Our cost of sales increased by 41.5% from US$588.3 million for the year ended December 31, 2019 to US$832.2 million for the year ended December 31, 2020, primarily due to increases in cost of raw materials and labor cost, which were in line with our business growth. Our cost of sales as a percentage of our revenue decreased from 69.7% in 2019 to 69.3% in 2020, primarily due to economies of scale and our ability to control and manage cost to enhance our profitability.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 44.4% from US$255.3 million for the year ended December 31, 2019 to US$368.7 million for the year ended December 31, 2020. Our gross profit margin increased from 30.3% to 30.7%, primarily due to an increase in the proportion of revenue contribution from our OBM business and our strategic focus on lithium-ion battery powered products, which typically generate higher gross profit margins.

Our gross profit for power tools increased by 15.9% from US$165.6 million for the year ended December 31, 2019 to US$192.0 million for the year ended December 31, 2020. Our gross profit margin for power tools slightly decreased from 30.1% to 29.0% for the same respective periods.

Our gross profit for OPE increased by 97.6% from US$88.8 million for the year ended December 31, 2019 to US$175.5 million for the year ended December 31, 2020. Our gross profit margin for OPE increased from 30.8% to 32.9% for the same respective periods.

Other Revenue and Other Net Loss or Gain

Our other revenue increased from US$3.8 million for the year ended December 31, 2019 to US$5.8 million for the year ended December 31, 2020. The increase was primarily due to an increase in government grants of US$2.8 million. Our other revenue as a percentage of our total revenue remained 0.4% for the year ended December 31, 2019 and 0.5% for the year ended December 31, 2020.

Our other net loss or gain decreased from a gain of US$0.9 million for the year ended December 31, 2019 to a loss of US$3.1 million for the year ended December 31, 2020, representing 0.1% and negative 0.3% of our revenue for the respective periods. The decrease was primarily due to net foreign exchange loss of US$11.5 million driven by appreciation of RMB against US dollars, partially offset by net realized and unrealized gains on derivative financial instruments of US$8.2 million in 2020.

Research and Development Costs

Our research and development costs increased by 23.9% from US$31.4 million for the year ended December 31, 2019 to US$38.9 million for the year ended December 31, 2020, primarily due to increases in employees' salaries and benefits and share-based compensation expenses, which was the result of our continuous focus on research of key technologies. Our research and development costs as a percentage of revenue decreased from 3.7% to 3.2%, primarily due to the rapid increase in our sales.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 40.0% from US$128.1 million for the year ended December 31, 2019 to US$179.4 million for the year ended December 31, 2020, primarily due to (i) an increase in marketing expenses driven by our expanded marketing and promotional activities and (ii) an increase in warranty expenses driven by the growth of our sales. Our selling and distribution expenses as a percentage of revenue remained relatively stable at 15.2% in 2019 and 15.0% in 2020.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 69.3% from US$48.9 million for the year ended December 31, 2019 to US$82.8 million for the year ended December 31, 2020, primarily due to (i) increases in employees' salaries and benefits and share-based compensation expenses and (ii) an increase in consulting fees. Our administrative and other operating expenses as a percentage of revenue increased from 5.8% to 6.9%.

Net Finance Costs

Our finance costs decreased by 11.8% from US$20.4 million for the year ended December 31, 2019 to US$18.0 million for the year ended December 31, 2020, primarily due to a decrease in interest rates on our bank borrowings. Our finance income remained stable at US$0.6 million and US$0.6 million for the years ended December 31, 2019 and 2020. As a result, our net finance costs decreased by 12.1% from US$19.8 million for the year ended December 31, 2019 to US$17.4 million for the year ended December 31, 2020, which represented 2.3% and 1.4% of our total revenue during the same periods.

Share of Profits of Associates and a Joint Venture

We recorded a share of profits of associates and a joint venture of US$10.4 million for the year ended December 31, 2019, and we recorded a share of profits of associates and a joint venture of US$6.7 million for the year ended December 31, 2020.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 40.7% from US$42.3 million for the year ended December 31, 2019 to US$59.5 million for the year ended December 31, 2020.

Income Tax Expense

Our income tax expense increased from US$6.3 million for the year ended December 31, 2019 to US$11.1 million for the year ended December 31, 2020, primarily due to a significant increase in our taxable income due to an increase in sales revenue. Additionally, for the years ended December 31, 2019 and 2020, our effective tax rates were 14.8% and 18.7%, respectively. The increase in effective tax rates was primarily due to increases in taxable income of our subsidiaries in jurisdictions with higher tax rates.

Profit for the Year

As a result of the foregoing, our net profit for the year increased by 34.1% from US$36.1 million for the year ended December 31, 2019 to US$48.4 million for the year ended December 31, 2020. Our net profit margin decreased from 4.3% for the year ended December 31, 2019 to 4.0% for the year ended December 31, 2020.

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

Revenue

Our revenue increased by 22.1% from US$690.7 million for the year ended December 31, 2018 to US$843.6 million for the year ended December 31, 2019.

Power tools

Our revenue from sales of power tools increased by 13.7% from US$483.4 million for the year ended December 31, 2018 to US$549.7 million for the year ended December 31, 2019. Such growth was primarily due to (i) increased sales of power tools under our proprietary brands, (ii) growth in our ODM business and (iii) increased revenue contribution from lithium-ion battery powered products, which are typically sold at higher prices.

OPE products

Our revenue from sales of OPE products increased by 43.0% from US$201.4 million for the year ended December 31, 2018 to US$288.0 million for the year ended December 31, 2019. Such growth was primarily due to increased sales of our *EGO* OPE products in the North America market.

Cost of Sales

Our cost of sales increased by 14.2% from US$515.2 million for the year ended December 31, 2018 to US$588.3 million for the year ended December 31, 2019 primarily due to increases in cost of raw materials and labor cost, which were in line with our business growth. Our cost of sales as a percentage of our revenue decreased from 74.6% in 2018 to 69.7% in 2019, primarily due to economies of scale and our enhanced ability to control and manage cost to improve our profitability.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 45.5% from US$175.5 million for the year ended December 31, 2018 to US$255.3 million for the year ended December 31, 2019. Our gross profit margin increased from 25.4% to 30.3%, primarily due to an increase in the proportion of revenue contribution from our OBM business and our strategic focus on lithium-ion battery powered products.

Our gross profit for power tools increased by 39.2% from US$119.0 million for the year ended December 31, 2018 to US$165.6 million for the year ended December 31, 2019. Our gross profit margin for power tools increased from 24.6% to 30.1% for the same respective periods, primarily due to increased revenue contribution from lithium-ion battery powered products sold under our proprietary brands.

Our gross profit for OPE increased by 60.6% from US$55.3 million for the year ended December 31, 2018 to US$88.8 million for the year ended December 31, 2019. Our gross profit margin for OPE increased from 27.4% to 30.8% for the same respective periods, primarily due to the increased sales of our *EGO* OPE products that target the premium market.

Other Revenue and Other Net Loss or Gain

Our other revenue increased from US$3.5 million for the year ended December 31, 2018 to US$3.8 million for the year ended December 31, 2019. Our other revenue as a percentage of our total revenue remained 0.5% for the year ended December 31, 2018 and 0.4% for the year ended December 31, 2019.

We had other net losses of US$8.2 million for the year ended December 31, 2018 and other net gains of US$0.9 million for the year ended December 31, 2019. The net other loss in 2018 was primarily attributable to net realized and unrealized losses on derivative financial instruments of US$10.4 million, partially offset by net foreign exchange gains of US$2.6 million. Our other net loss as a percentage of our revenue was 1.2% for the year ended December 31, 2018, and our other net gain as a percentage of our total revenue was 0.1% for the year ended December 31, 2019.

Research and Development Costs

Our research and development costs increased by 13.4% from US$27.7 million for the year ended December 31, 2018 to US$31.4 million for the year ended December 31, 2019, primarily due to an increase in employees' salaries and benefits, which was the result of our continuous focus on research of key technologies. Our research and development costs as a percentage of revenue decreased from 4.0% to 3.7%, primarily due to the increase in our sales.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 27.5% from US$100.5 million for the year ended December 31, 2018 to US$128.1 million for the year ended December 31, 2019, primarily due to (i) an increase in marketing expenses driven by our expanded marketing and promotional activities and (ii) an increase in warranty expenses driven by the growth of our sales. Our selling and distribution expenses as a percentage of revenue increased from 14.5% to 15.2%.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 7.7% from US$45.4 million for the year ended December 31, 2018 to US$48.9 million for the year ended December 31, 2019, primarily due to increases in employees' salaries and benefits and IT expenses associated with an increase in the total number of our employees caused by our business expansion. Our administrative and other operating expenses as a percentage of revenue decreased from 6.6% to 5.8%.

Net Finance Costs

Our finance costs increased by 17.2% from US$17.4 million for the year ended December 31, 2018 to US$20.4 million for the year ended December 31, 2019, primarily due to an increase in the average balance of our bank borrowings. Our finance income increased from US$0.2 million for the year ended December 31, 2018 to US$0.6 million for the year ended December 31, 2019. As a result, our net finance costs increased by 15.1% from US$17.2 million for the year ended December 31, 2018 to US$19.8 million for the year ended December 31, 2019, which represented 2.5% and 2.3% of our total revenue during the same periods.

Share of Profits of Associates and a Joint Venture

We recorded a share of profits of associates and a joint venture of US$5.5 million for the year ended December 31, 2018, while we recorded a share of profits of associates and a joint venture of US$10.4 million for the year ended December 31, 2019.

Profit before Tax

As a result of the foregoing, our loss before tax was US$14.4 million for the year ended December 31, 2018 and our profit before tax was US$42.3 million for the year ended December 31, 2019.

Income Tax Expense

Our income tax credit was US$1.0 million for the year ended December 31, 2018 and our income tax expense was US$6.3 million for the year ended December 31, 2019, primarily due to our taxable income returning to positive. For the year ended December 31, 2019, our effective tax rate was 14.8%.

Profit for the Year

As a result of the foregoing, we incurred a loss of US$13.5 million for the year ended December 31, 2018 and a profit of US$36.1 million for the year ended December 31, 2019. Our net profit margin was 4.3% for the year ended December 31, 2019. We incurred a net loss of in 2018 primarily due to (i) our increased investments in the OBM business, including marketing and research and development spending in 2018 and (ii) integration costs associated with our acquisition of the *SKIL* business. With respect to our investments in the OBM business, for example, we devoted substantial resources into developing *SKIL*-branded lithium-ion battery powered products, which did not launch in Europe market until the fourth quarter of 2018. Our gross profit margin for 2018 was also lower due to promotion of OBM products, particularly *EGO*, through price reductions in order to quickly gain market share. With respect to the *SKIL* integration costs, such costs primarily include: (a) replacing certain operational support, logistics and IT systems, (b) investing in additional research and development efforts, (c) increasing production capacity and (d) enhancing relevant marketing activities during the transition period. We were able to achieve a net profit in 2019, primarily due to (i) the growth of sales from products targeting industrial/professional and premium end users, such as *EGO* OPE products and *FLEX* power tools, which usually had higher gross profit margins and (ii) improvement in our operational efficiency achieved by economies of scale.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During Track Record Period, we have financed our operations primarily through cash from our operations and proceeds from bank loans. As of June 30, 2021, we had US$238.6 million in cash and cash equivalents, primarily consisting of cash on hand and demand deposits.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,			**Six Months Ended June 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
			(in US$ thousands)		
Net cash generated from operating activities	8,143	39,577	133,729	66,257	89,102
Net cash (used in)/generated from investing activities	(21,940)	(25,458)	(15,660)	(10,075)	687
Net cash generated from/(used in) financing activities	35,018	7,568	(50,433)	(18,108)	(19,086)
Net increase in cash and cash equivalents	**21,221**	**21,687**	**67,636**	**38,074**	**70,703**
Cash and cash equivalents at the beginning of the year/period	54,798	73,266	94,064	94,064	166,937
Effect of foreign exchange rate changes	(2,753)	(889)	5,237	(1,775)	942
Cash and cash equivalents at the end of year/period	**73,266**	**94,064**	**166,937**	**130,363**	**238,582**

Operating Activities

In the six months ended June 30, 2021, we had net cash flow generated from operating activities of US$89.1 million, consisting of US$111.0 million in operating profit before changes in working capital, offset by net cash outflow of US$14.4 million relating to change in working capital and income tax paid of US$7.4 million. Our net cash generated from operations before changes in working capital were primarily attributable to our profit before income tax of US$110.9 million, adjusted for non-cash items, including primarily addition of depreciation of property, plant and equipment of US$10.5 million, and deduction of gain on disposal of a subsidiary of US$22.0 million, which was mainly attributable to our sales of interests in Jiuhao Electromechanical. Please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus for more details. Our net cash outflows relating to changes in working capital were primarily attributable to (i) an increase in inventories of US$89.7 million, which is primarily driven by market demands and expansion of our production capacities, (ii) an increase in trade and bills receivables of US$65.0 million, which is primarily driven by the growth of our sales, partially offset by (i) a decrease in prepayments, deposits and other receivables of US$18.4 million, (ii) an increase in trade payables of US$99.9 million and (iii) an increase in other payables and accruals of US$23.2 million.

In the six months ended June 30, 2020, we had net cash flow generated from operating activities of US$66.3 million, consisting of US$48.5 million in operating profit before changes in working capital and net cash inflow of US$26.0 million relating to change in working capital, offset by income tax paid of US$8.2 million. Our net cash generated from operations before changes in working capital were primarily attributable to our profit before income tax of US$25.2 million, adjusted for non-cash items, including primarily addition of depreciation of property, plant and equipment of US$8.8 million and net finance costs of US$8.1 million. Our net cash inflows relating to changes in working capital were primarily attributable to a decrease in inventories of US$78.1 million, partially offset by an increase in trade and bills receivables of US$98.3 million, which is primarily driven by the growth of our sales.

In the year ended December 31, 2020, we had net cash flow generated from operating activities of US$133.7 million, consisting of US$117.4 million in operating profit before changes in working capital and net cash inflow of US$27.4 million relating to change in working capital, offset by income tax paid of US$11.1 million. Our net cash generated from operations before changes in working capital were primarily attributable to our profit before income tax of US$59.5 million, adjusted for non-cash items, including primarily addition of (i) depreciation of property, plant and equipment of US$17.9 million, (ii) net finance costs of US$17.4 million, (iii) equity settled share-based payment expenses of US$21.1 million, and (iv) foreign exchange loss of US$11.5 million, which was primarily resulted from appreciation of RMB against US dollars, and deduction of (i) share of profits of associates of US$6.7 million, which was primarily related to our investment in Chervon Auto Precision Technology, and (ii) net realized and unrealized gains on derivative financial instruments of US$8.2 million, which were attributable to appreciation of RMB against US dollars that increased the value of our foreign currency forward contracts. Our net cash inflow relating to changes in working capital were primarily attributable to (i) an increase in warranty provision of US$22.2 million, which was in line with our growth in sales, (ii) a decrease in inventories of US$8.3 million, which was primarily driven by market demands for our products, (iii) an increase in trade payables of US$83.7 million, (iv) an increase in other payables and accruals of US$40.5 million and (v) an increase in refund liabilities from right of return of US$5.1 million, partially offset by (i) an increase in trade and bills receivables of US$119.0 million, which was driven by the growth in our sales, (ii) an increase in prepayments, deposits and other receivables of US$8.6 million, which was primarily related to other deposits and receivables.

In the year ended December 31, 2019, we had net cash flow generated from operating activities of US$39.6 million, consisting of US$76.7 million in operating profit before changes in working capital, offset by net cash outflow of US$27.0 million relating to change in working capital and income tax paid of US$10.1 million. Our net cash generated from operations before changes in working capital were primarily attributable to our profit before income tax of US$42.3 million, adjusted for non-cash items, including primarily addition of (i) depreciation of property, plant and equipment of US$17.4 million, (ii) net finance costs of US$19.8 million, and (iii) provision for write-down of inventory of US$2.9 million and deduction of share of profits of associates of US$9.2 million. Our net cash outflow relating to changes in working capital were primarily due to (i) an increase in inventories of US$84.9 million, which was driven by the expansion of our production capacities and market demands and (ii) an increase in trade and bills receivables of US$9.2 million, partially offset by (i) an increase in trade payables of US$24.9 million and (ii) an increase in other payables and accruals of US$33.1 million.

In the year ended December 31, 2018, we had net cash flow generated from operating activities of US$8.1 million, consisting of US$26.7 million in operating profit before changes in working capital, offset by net cash outflow of US$10.9 million relating to change in working capital and income tax paid of US$7.6 million. Our net cash generated from operations before changes in working capital were primarily attributable to our loss before income tax of US$14.4 million, adjusted for non-cash items, including primarily addition of (i) depreciation of property, plant and equipment of US$19.3 million, (ii) net finance costs of US$17.2 million, (iii) net realized and unrealized losses on derivative financial instruments of US$10.4 million, which were attributable to depreciation of RMB against US dollars that increased the value of our foreign currency forward contracts, (iv) provision of write-down of inventory of US$1.4 million and deduction of share of profits of associates of US$4.3 million. Our net cash outflow relating to changes in working capital were primarily attributable to (i) an increase in inventories of US$25.4 million, (ii) an increase in prepayments, deposits and other receivables of US$14.3 million, partially offset by (i) a decrease in trade and bills receivables of US$11.0 million, (ii) an increase in trade payables of US$8.6 million and (iii) an increase in other payables and accruals of US$8.7 million.

For further details, please see Note 25 to the Accountants' Report set out in Appendix I in this prospectus.

Investing Activities

In the six months ended June 30, 2021, our net cash generated from investing activities was US$0.7 million, primarily consisting of (i) proceeds from disposal of financial assets measured at fair value through profit or loss of US$125.5 million, (ii) net proceeds from disposal of subsidiaries of US$32.7 million, partially offset by (i) payment for acquisition of financial assets measured at fair value through profit or loss of US$123.3 million and (ii) payment for the acquisition of property, plant and equipment of US$36.1 million.

In the six months ended June 30, 2020, our net cash used in investing activities was US$10.1 million, primarily consisting of (i) payment for acquisition of financial assets measured at fair value through profit or loss of US$66.8 million and (ii) payment for the acquisition of property, plant and equipment of US$15.8 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit or loss of US$72.0 million.

In the year ended December 31, 2020, our net cash used in investing activities was US$15.7 million, primarily consisting of (i) payment for the acquisition of property, plant and equipment of US$31.6 million and (ii) payment for the acquisition of financial assets measured at fair value through profit or loss of US$133.5 million, partially offset by (i) proceeds from disposal of financial assets measured at fair value through profit or loss of US$144.1 million and (ii) dividends received of US$4.2 million.

In the year ended December 31, 2019, our net cash used in investing activities was US$25.5 million, primarily consisting of (i) payment for the acquisition of property, plant and equipment of US$25.6 million and (ii) payment for the acquisition of financial assets measured at fair value through profit or loss of US$141.9 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit or loss of US$143.7 million.

In the year ended December 31, 2018, our net cash used in investing activities was US$21.9 million, primarily consisting of (i) payment for the acquisition of property, plant and equipment of US$26.3 million and (ii) payment for the acquisition of financial assets measured at fair value through profit or loss of US$54.0 million, partially offset by (i) proceeds from disposal of financial assets measured at fair value through profit or loss of US$56.6 million.

Financing Activities

In the six months ended June 30, 2021, our net cash used in financing activities was US$19.1 million, which primarily consisted of (i) repayment of bank loans of US$223.5 million, (ii) interest paid of US$10.4 million, (iii) increase in pledged deposits for banking facilities of US$35.9 million, (iv) acquisition of non-controlling interest of US$28.4 million, which was attributable to the Reorganization and (v) dividends paid to equity shareholders of our Company of US$15.0 million, partially offset by (i) proceeds from new bank loans of US$288.3 million and (ii) proceeds from issuance of ordinary shares of US$7.9 million, which was attributable to the Reorganization.

In the six months ended June 30, 2020, our net cash used in financing activities was US$18.1 million, which primarily consisted of (i) repayment of bank loans of US$318.7 million and (ii) interest paid of US$5.7 million, partially offset by proceeds from new bank loans of US$310.9 million.

In the year ended December 31, 2020, our net cash used in financing activities was US$50.4 million, which primarily consisted of (i) capital element of lease rental paid of US$2.5 million, (ii) repayment of bank loans of US$638.4 million and (iii) interest paid of US$15.6 million, partially offset by (i) proceeds from new bank loans of US$604.4 million and (ii) decrease in pledged deposits for banking facilities of US$2.3 million.

In the year ended December 31, 2019, our net cash generated from financing activities was US$7.6 million, which primarily consisted of proceeds from new bank loans of US$587.3 million, partially offset by (i) capital element of lease rental paid of US$2.3 million, (ii) repayment of bank loans of US$557.4 million, and (iii) interest paid of US$20.0 million.

In the year ended December 31, 2018, our net cash generated from financing activities was US$35.0 million, which primarily consisted of proceeds from new bank loans of US$618.8 million, partially offset by (i) capital element of lease rental paid of US$1.7 million, (ii) repayment of bank loans of US$549.1 million, (iii) interest paid of US$21.1 million and (iv) an increase in pledged deposits for banking facilities of US$11.3 million.

COMMITMENTS

Capital Commitments

The following table sets forth the total amount of our capital expenditures contracted but not yet provided for as of the respective dates:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(In US$ thousands)			
Contracted for	54,076	49,536	47,326	38,897
Authorised but not contracted for	–	–	2,153	459,515
	54,076	49,536	49,479	498,412
Represented by:				
Construction of plant and buildings	52,507	48,547	46,900	492,813
Acquisition of machinery and equipment	1,569	989	2,579	5,599
	54,076	49,536	49,479	498,412

CAPITAL EXPENDITURES

We made payment for capital expenditures of US$26.3 million, US$25.6 million, US$31.6 million, US$15.8 million and US$36.1 million for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, respectively. During the Track Record Period, our capital expenditures were used primarily to purchase property, plant and equipment and intangible assets. The following table sets forth our capital expenditures for the years indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
	(in US$ thousands)				
– Payments for acquisition of property, plant and equipment	26,292	25,591	31,557	15,778	36,103

We financed our capital expenditures primarily with cash generated from operations and bank borrowings. We estimate that our capital expenditures in the year ending December 31, 2021 will be approximately US$82.8 million, which will be primarily used for expanding our production capacity. We plan to fund our capital expenditures for the year ending December 31, 2021 with our existing cash and cash equivalents, cash flow generated from operating activities and proceeds from the Global Offering.

For further details regarding our production expansion plan and expected expenditures, please refer to the section headed "Business – Production Expansion Plan" of this prospectus.

WORKING CAPITAL

We recorded net current liabilities of US$41.3 million and US$5.1 million as of December 31, 2018 and 2019, respectively and recorded net current assets of US$109.5 million, US$108.1 million and US$159.6 million as of December 31, 2020, June 30, 2021 and October 31, 2021. The following table sets forth the details of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2018	**2019**	**2020**	**2021**	**2021**
					(unaudited)
			(in US$ thousands)		
Current Assets					
Financial assets at FVPL	12,380	3,595	5,372	2,785	20,212
Derivative financial instruments	481	956	5,827	3,107	2,780
Inventories	214,919	297,645	288,680	378,912	573,808
Right to return goods asset	1,921	2,078	5,618	4,198	3,165
Trade and bills receivables	127,347	135,233	254,368	319,089	295,505
Prepayments, deposits and other receivables	21,450	28,386	40,170	22,858	23,744
Taxation recoverable	11,402	17,764	21,975	22,907	13,145
Pledged deposits	24,713	23,193	22,172	63,491	79,596
Cash and cash equivalents	73,266	94,064	166,937	238,582	157,295
Total current assets	**487,879**	**602,914**	**811,119**	**1,055,929**	**1,169,250**

	As of December 31,			As of June 30,	As of October 31,
	2018	2019	2020	2021	2021
					(unaudited)
	(in US$ thousands)				
Current Liabilities					
Bank loans	316,231	337,558	290,459	395,832	415,688
Derivative financial instruments	3,694	1,294	289	618	87
Lease liabilities	1,653	2,122	3,161	3,361	6,192
Trade and bills payables	138,883	163,808	247,529	350,691	379,601
Other payables and accruals	56,499	87,891	130,137	157,561	166,066
Taxation payable	2,371	3,909	6,628	15,069	21,344
Warranty provision	7,273	8,394	15,175	18,796	16,500
Refund liabilities from right of return	2,622	3,077	8,218	5,914	4,130
Total current liabilities	**529,226**	**608,053**	**701,596**	**947,842**	**1,009,608**
Net current (liabilities)/ assets	**(41,347)**	**(5,139)**	**109,523**	**108,087**	**159,642**

We had net current liabilities of US$41.3 million and US$5.1 million as of December 31, 2018 and 2019, respectively, primarily due to our large balance of short-term bank loans that supported our investments in the OBM business, including marketing and research and development spending. We were able to record net current assets of US$109.5 million, US$108.1 million and US$159.6 million as of December 31, 2020, June 30, 2021 and October 31, 2021, respectively, primarily because revenue from our OBM business, particularly *EGO*, reached significant scales. From December 31, 2019 to December 31, 2020, changes to our net current assets were primarily attributable to (i) increases in cash and cash equivalents and trade and bills receivables and (ii) decreases in short-term bank loans, partially offset by increases in trade and bills payables, other payables and accruals and warranty provision. From December 31, 2020 to June 30, 2021, changes to our net current assets were primarily attributable to increases in cash and cash equivalents, trade and bills receivables and inventories, partially offset by increases in short-term bank loans, trade and bills payables and other payables and accruals. From June 30, 2021 to October 31, 2021, changes to our net current assets were primarily attributable to increases in inventories and financial assets at FVPL, partially offset by a decrease in cash and cash equivalents.

Our net current assets increased from US$108.1 million as of June 30, 2021 to US$159.6 million as of October 31, 2021, primarily due to (i) an increase in inventories of US$194.9 million and (ii) an increase in financial assets at FVPL of US$17.4 million, partially offset by a decrease in cash and cash equivalents of US$81.3 million.

Our net current assets decreased from US$109.5 million as of December 31, 2020 to US$108.1 million as of June 30, 2021, primarily due to (i) an increase in short-term bank loans of US$105.4 million and (ii) an increase in trade and bills payables of US$103.2 million, partially offset by (i) an increase in inventories of US$90.2 million, (ii) an increase in cash and cash equivalents of US$71.6 million and (iii) an increase in trade and bills receivables of US$64.7 million.

Our net current assets increased from negative US$5.1 million as of December 31, 2019 to US$109.5 million as of December 31, 2020, primarily due to (i) an increase in trade and bills receivables of US$119.1 million, which was primarily due to the growth of our sales, (ii) an increase in cash and cash equivalents of US$72.9 million, which was primarily due to our increase sales and improved inventory turnover, (iii) an increase in taxation recoverable of US$4.2 million, and (iv) an increase in prepayments, deposits and other receivables of US$11.8 million, partially offset by (i) an increase in trade and bills payables of US$83.7 million and (ii) an increase in other payables and accruals of US$42.2 million.

Our net current liabilities decreased from US$41.3 million as of December 31, 2018 to US$5.1 million as of December 31, 2019, primarily due to (i) an increase in inventories of US$82.7 million and (ii) an increase in cash and cash equivalents of US$20.8 million, partially offset by (i) an increase in other payables and accruals of US$31.4 million, (ii) an increase in trade and bills payables of US$24.9 million, and (iii) an increase in short-term bank loans of US$21.3 million.

Our Directors confirm that our current cash and cash equivalents, anticipated cash flow from operations, the available overdraft facilities and proceeds from the Global Offering will be sufficient to meet our anticipated cash needs, including our working capital expenditure requirements for at least the next 12 months from the date of this prospectus. We currently have no external financing plan other than the Global Offering and short-term bank loans described in "– Indebtedness" below.

INDEBTEDNESS

As of October 31, 2021, we had US$455.8 million in indebtedness. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2018	2019	2020	2021	2021
					(Unaudited)
	(In US$ thousands)				
Current liabilities					
Bank loans[1]	316,231	337,558	290,459	395,832	415,688
Lease liabilities	1,653	2,122	3,161	3,361	6,192
	317,884	339,680	293,620	399,193	421,880
Non-current liabilities					
Bank loans[1]	13,287	19,167	47,402	8,722	15,787
Lease liabilities	13,812	13,693	13,517	12,872	18,153
	27,099	32,860	60,919	21,594	33,940
Total indebtedness	**344,983**	**372,540**	**354,539**	**420,787**	**455,820**

Note:

(1) The Group's bank loans are secured by certain assets of the Group, such as inventories, trade and bills receivables and plants and buildings. Certain bank facilities granted to the Group were guaranteed by Mr. Pan, the ultimate controlling shareholder of the Group, Chervon Global Holdings Limited and pledged with the shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited. All guarantees and pledges provided by such related parties have been released as of November 23, 2021.

Our total indebtedness increased from US$345.0 million as of December 31, 2018 to US$372.5 million as of December 31, 2019, and decreased to US$354.5 million as of December 31, 2020 and increased to US$420.8 million as of June 30, 2021. Our total indebtedness further increased to US$455.8 million as of October 31, 2021. As of October 31, 2021, the amount of our unutilized banking facilities was US$225.9 million. Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date.

Except for our indebtedness as disclosed above, since June 30, 2021 and up to the date of this prospectus, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that our Company does not have any external financing plans as of the Latest Practicable Date apart from the Global Offering.

MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios as at the end of each of the reporting periods:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Profitability:					
Gross profit margin(1)	25.4%	30.3%	30.7%	28.7%	28.9%
Net profit margin(2)	(2.0)%	4.3%	4.0%	4.0%	10.5%
Rates of Return:					
Return on assets(3)	(1.8)%	4.2%	4.4%	N/A(5)	N/A(5)
Return on equity(4)	(8.1)%	18.0%	17.0%	N/A(5)	N/A(5)

Notes:

(1) Equals gross profit divided by revenue for the year/period and multiplied by 100%.

(2) Equal net profit divided by revenue for the year/period and multiplied by 100%.

(3) Equals net profit divided by total assets at the end of the year/period and multiplied by 100%.

(4) Equals net profit divided by total equity at the end of the year/period and multiplied by 100%.

(5) This interim period number is not meaningful as it is not comparable to the annual numbers.

	As of December 31,			As of June 30,
	2018	2019	2020	2021
Liquidity:				
Gearing ratio(1)	2.1	1.9	1.2	1.2
Net debt to capital ratio(2)	1.5	1.3	0.6	0.4
Current ratio(3)	0.9	1.0	1.2	1.1
Quick ratio(4)	0.5	0.5	0.7	0.7

Notes:

(1) Equals total debt (including bank loans and lease liabilities) divided by total equity as of the respective end date for the year/period.

(2) Equals net debt divided by total equity as of the respective end date for the year/period. Net debt is calculated as total debt (including bank loans and lease liabilities) less cash and cash equivalents and pledged deposits.

(3) Equals total current assets divided by total current liabilities as of the respective end date for the year/period.

(4) Equal total current assets less inventory and divided by total current liabilities as of the respective end date for the year/period.

We incurred a net loss in 2018 primarily due to (i) our increased investments in the OBM business, including marketing and research and development spending in 2018 and (ii) integration costs associated with our acquisition of the *SKIL* business. With respect to our investments in the OBM business, for example, we devoted substantial resources into developing *SKIL*-branded lithium-ion battery powered products, which did not launch in Europe market until the fourth quarter of 2018. Our gross profit margin for 2018 was also lower due to promotion of OBM products, particularly *EGO*, through price reductions in order to quickly gain market share. With respect to the *SKIL* integration costs, such costs primarily include: (a) replacing certain operational support, logistics and IT systems, (b) investing in additional research and development efforts, (c) increasing production capacity and (d) enhancing relevant marketing activities during the transition period. We were able to achieve a net profit margin of 4.3% and 4.0% in 2019 and 2020, primarily due to (i) the growth of sales from products targeting industrial/professional and premium end users, such as *EGO* OPE products and *FLEX* power tools, which usually have higher profit margins, and (ii) improvement in our operational efficiency achieved by economies of scale. For the same reasons, our cash flows from operating activities also improved since 2019. Our net profit margin increased significantly from 4.0% in the six months ended June 30, 2020 to 10.5% in the six months ended June 30, 2021, primarily due to (i) a one-time gain from disposal of our equity interests in Jiuhao Electromechanical, (ii) higher gross margin due to increased sales from industrial/professional and premium products, such as *EGO* OPE products and *FLEX* power tools and (iii) the decrease in selling and distribution expenses, administrative and other operating expenses and research and development expenses as a percentage of revenue due to the rapid increase in our sales.

Our gearing ratio decreased from 2.1 as of December 31, 2018 to 1.9 as of December 31, 2019, and further decreased to 1.2 as of December 31, 2020 and 1.2 as of June 30, 2021. Our net debt to capital ratio decreased from 1.5 as of December 31, 2018 to 1.3 as of December 31, 2019, and further decreased to 0.6 as of December 31, 2020 and 0.4 as of June 30, 2021 . The improvement in our gearing ratio and net debt to capital ratio was primarily due to our increased levels of capital through growing revenue and enhancing profitability.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Property, Plant and Equipment

Our property, plant and equipment is comprised of (i) plant and buildings, (ii) machinery and equipment, (iii) furniture, fixtures and office equipment, (iv) motor vehicles and (v) construction in progress. Our property, plant and equipment increased from US$109.5 million as of December 31, 2018 to US$120.0 million as of December 31, 2019, to US$143.0 million as of December 31, 2020, and further to US$165.7 million as of June 30, 2021, primarily due to (i) our expansion of manufacturing facilities and (ii) purchase of new machinery and equipment. See the sections headed "Business – Our Strategies" and "Business – Production – Existing Production Facilities" in this prospectus for additional details.

Inventories

During the Track Record Period, inventories were one of the principal components of our current assets. Our inventories primarily consist of raw materials, consumables, semi-finished goods and finished goods. We have implemented an effective inventory control system that requires close coordination among our various departments to ensure that our inventory levels are sufficient to satisfy demand and not cause any disruptions in production while minimizing carrying costs.

The following table sets forth the balance of our inventories at the end of each reporting period:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	(in US$ thousands)			
Raw materials	36,595	32,523	56,085	90,391
Consumables	1,786	3,174	3,729	4,646
Semi-finished goods	13,948	18,052	32,997	37,883
Finished goods	165,157	249,307	201,516	251,123
Write down of inventories	(2,567)	(5,411)	(5,647)	(5,131)
Total inventories	**214,919**	**297,645**	**288,680**	**378,912**

The value of our inventories increased by 38.5% from US$214.9 million as of December 31, 2018 to US$297.6 million as of December 31, 2019 and decreased by 3.0% to US$288.7 million as of December 31, 2020. As of October 31, 2021, US$313.3 million, or 82.7%, of our inventories as of June 30, 2021 had been used or sold subsequent to June 30, 2021. The increases of the value of our inventories throughout the Track Record Period were in line with the growth of our business and our expanded warehouse capacities.

The following table sets forth our inventory turnover days for the Track Record Period:

	Year Ended December 31,			Six Months Ended June 30,
	2018	2019	2020	2021
Inventory turnover days[1]	150	159	129	97

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales and multiplied by 365 days (for a year) or 180 days (for the six-month period).

During the Track Record Period, we have implemented various measures to reduce our inventory turnover days, including selling prior-generation products with discounts. Our inventory turnover days increased from 150 days for the year ended December 31, 2018 to 159 days for the year ended December 31, 2019, but decreased to 129 days for the year ended December 31, 2020. Our inventory turnover days for the six months ended June 30, 2021 was 97 days. The reduction in inventory turnover days was primarily due to our ability to sell our products at a rapid speed relating to high demands for our products.

The following table sets forth the aging analysis of the major categories of inventories as of June 30, 2021:

	Within 1 year	1 to 2 years	More than 2 years	Total
	(in US$ thousands)			
Raw materials	89,614	390	387	90,391
Consumables	4,646	–	–	4,646
Finished goods	224,041	20,566	1,385	245,992
Semi-finished goods	37,825	49	9	37,883
Total	356,126	21,005	1,781	378,912

The following table sets forth the aging analysis of inventories during the Track Record Period as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Within 1 year	204,196	272,352	262,589	356,126
1 to 2 years	9,468	24,263	24,813	21,005
More than 2 years	1,255	1,030	1,278	1,781
Total	**214,919**	**297,645**	**288,680**	**378,912**

Trade and Bills Receivables

Our trade and bills receivables represent primarily receivables from our customers for sales of our products. Payment terms typically vary from 30 to 180 days depending on the customer. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Trade debtors and bills receivable, net of loss allowance				
– measured at amortized cost				
Trade receivables	116,410	116,126	164,475	183,113
Bills receivables	7,926	4,307	4,746	8,702
– measured at Fair value through other comprehensive income ("FVOCI")				
Trade receivables	3,011	14,800	85,147	127,274
	127,347	135,233	254,368	319,089

In the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, our trade and bills receivables amounted to US$127.3 million, US$135.2 million, US$254.4 million, and US$319.1 million, respectively. The increase in our trade and bills receivables over the Track Record Period was due primarily to the increases in sales of our products.

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year Ended December 31			Six Months Ended June 30,
	2018	2019	2020	2021
Trade and bills receivables turnover days[(1)]	67	57	59	59

(1) Trade and bills receivables turnover days are calculated using the average of opening balance and closing balance of trade and bills receivables for a year/period divided by revenue for the relevant year/period and multiplied by 365 days (for a year) or 180 days (for a six-month period).

Our trade and bills receivables turnover days decreased from 67 days for the year ended December 31, 2018 to 57 days for the year ended December 31, 2019, as a result of our improved collection of trade receivables and in line with the range of credit period we granted to our customers. Our trade and bills receivables turnover days remained relatively stable at 59 days and 59 days for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively.

Aging Analysis

The following table sets out the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Within 6 months	115,677	113,751	165,140	189,088
Over 6 months but within 12 months	4,761	4,068	3,153	1,847
Over 12 months	3,898	2,614	928	880
Total	**124,336**	**120,433**	**169,221**	**191,815**

As of October 31, 2021, US$288.9 million, or 90.5% of our total trade and bills receivables as of June 30, 2021, had been settled subsequent to June 30, 2021.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consist of (i) amount due from related parties, (ii) value added tax recoverable, (iii) other tax recoverable, (iv) prepayments for materials and expenses, (v) advances to employee and (vi) other deposits and receivables. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Current				
Amount due from related parties	58	10,959	21,487	–
Value added tax recoverable	9,296	6,881	10,633	11,274
Other tax recoverable	319	449	478	1
Prepayments for materials and expenses	2,322	3,228	3,193	6,919
Advances to employee	874	846	1,011	527
Other deposits and receivables	8,644	6,644	4,616	4,223
Less: loss allowance	(63)	(621)	(1,248)	(86)
Total current	**21,450**	**28,386**	**40,170**	**22,858**

During the Track Record Period, our prepayments, deposits and other receivables consisted primarily of amount due from related parties, value added tax recoverable, prepayments for materials and expenses, advances to staff and other deposits and receivables. Current balances of prepayments, deposits and other receivables are expected to be recovered or recognized as expenses within one year.

Our prepayments, deposits and other receivables increased by 32.1% from US$21.5 million as of December 31, 2018 to US$28.4 million as of December 31, 2019 primarily attributable to an increase in amount due from related parties of US$10.9 million, partially offset by a decrease in other deposits and receivables of US$2.0 million.

Our prepayments, deposits and other receivables increased by 41.5% from US$28.4 million as of December 31, 2019 to US$40.2 million as of December 31, 2020 primarily attributable to (i) an increase in value added tax recoverable of US$3.8 million and (ii) an increase in amount due from related parties of US$10.5 million.

Our prepayments, deposits and other receivables decreased by 43.1% from US$40.2 million as of December 31, 2020 to US$22.9 million as of June 30, 2021 primarily attributable to a decrease in amount due from related parties of US$21.5 million, partially offset by an increase in prepayments for materials and expenses of US$3.7 million.

As of October 31, 2021, US$7.3 million, or 25.4% of our prepayments, deposits and other receivables as of June 30, 2021, had been settled subsequent to June 30, 2021.

Trade and Bills Payables Analysis

The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	(in US$ thousands)			
Trade payables	128,682	141,480	217,788	307,706
Bills payables	10,201	22,328	29,741	42,985
Total	**138,883**	**163,808**	**247,529**	**350,691**

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	(in US$ thousands)			
Within 3 months	121,256	149,286	216,913	310,934
3 to 12 months	17,627	14,522	30,616	39,757
Total	**138,883**	**163,808**	**247,529**	**350,691**

Our trade and bill payables primarily consist of payables to our suppliers. All of our trade and bills payables are expected to be settled within one year. The increase in our trade payables throughout the Track Record Period was in line with the growth of our business and particularly our production output.

The following table sets forth our trade and bills payables turnover days for the Track Record Period:

	Year Ended December 31,			Six Months Ended June 30,
	2018	**2019**	**2020**	**2021**
Trade and bills payables turnover days[(1)]	95	94	90	87

(1) Trade payables and bills turnover days are calculated using the average of opening balance and closing balance of trade and bills payables for a year/period divided by cost of sales for the relevant year and multiplied by 365 days (for a year) or 180 days (for a six-month period).

Our trade and bills payables turnover days remained relatively stable in 2018, 2019 and 2020. Our trade and bills payables turnover days decreased to 87 for the six months ended June 30, 2021, which was primarily due to the timing of settlement for trade and bill payables and therefore not comparable to annual figures.

As of October 31, 2021, US$295.9 million, or 96.2% of our trade and bills payables as of June 30, 2021, had been settled subsequent to June 30, 2021.

Other Payables and Accruals Analysis

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	(in US$ thousands)			
Amount due to related parties	5,949	15,198	8,251	2,441
Other payables and accrued charges	29,761	41,847	78,357	131,932
Salaries, wages, bonuses and benefits payable	15,657	18,157	31,726	14,086
Payables for purchase of properties, plants and equipment	878	2,666	2,849	1,828
Interest payables	1,368	1,130	3,062	888
Other tax payables	2,231	8,052	5,256	5,877
Receipt in advance – lease prepayment	655	841	636	509
Total	**56,499**	**87,891**	**130,137**	**157,561**

During the Track Record Period, we incur other payables and accruals in connection with various aspects of our operations, including accruals for marketing and advertising fee, payroll expenses, utility expenses, service fee and other expenses.

Our other payables and accruals increased by 21.1% from US$130.1 million as of December 31, 2020 to US$157.6 million as of June 30, 2021 primarily due to (i) an increase in other payables and accrued charges of US$53.6 million mainly attributable to increases in marketing, promotion and advertising expenses, as well as other relevant accrued charges in line with our increased product sales and (ii) an increase in other tax payables of US$0.6 million, partially offset by (i) a decrease in salaries, wages, bonuses and benefits payable of US$17.6 million and (ii) a decrease in amount due to related parties of US$5.8 million.

Our other payables and accruals increased by 48.0% from US$87.9 million as of December 31, 2019 to US$130.1 million as of December 31, 2020 primarily due to (i) an increase in other payables and accrued charges of US$36.5 million and (ii) an increase in salaries, wages, bonuses and benefits payable of US$13.6 million, partially offset by (i) a decrease in amount to related parties of US$6.9 million and (ii) a decrease in other tax payables of US$2.8 million.

Our other payables and accruals increased by 55.6% from US$56.5 million as of December 31, 2018 to US$87.9 million as of December 31, 2019 primarily due to (i) an increase in amount to related parties of US$9.2 million and (ii) an increase in other payables and accrued charges of US$12.1 million and (iii) an increase in other tax payables of US$5.8 million.

As of October 31, 2021, US$71.2 million, or 45.2% of our other payables and accruals as of June 30, 2021, had been settled subsequent to June 30, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serve as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

During the Track Record Period, we provided guarantees in respect of certain loans made by financial institutions in the PRC to Chervon Auto Precision Technology. We provide such guarantees for Chervon Auto Precision Technology for the primary purposes of (i) facilitating access to bank credit amidst a period of rapid growth of Chervon Auto Precision Technology and (ii) reducing transaction costs because guarantees by external financial services providers typically involved higher costs. As of June 30, 2021, the guarantees to Chervon Auto Precision Technology have been released.

During the Track Record Period, some of our subsidiaries also provided guarantees to financial institutions in the PRC for certain indebtedness of our independent third-party customers. We provided such guarantees to third-party customers, which are typically qualified distributors of ours in the PRC, primarily to enhance access to credit by these distributors, which in turn supported our revenue growth. We believe that credit risks arising from such guarantees can be mitigated for the following reasons: (i) we provided guarantees only to qualified distributors that have established stable relationships with us; (ii) we had familiarity with the financial, operational and reputational aspects of these distributors; and (iii) we required that the proceeds from the guaranteed loans must be primarily used for purchasing goods from us. As of December 31, 2018, 2019 and 2020 and June 30, 2021, the maximum guarantee amount to third-party customers was US$0.9 million, US$1.0 million, US$9.8 million and US$9.9 million, respectively. For more details, please refer to Note 39 to the Accountants' Report set forth in Appendix I of this prospectus. During the Track Record Period, we did not have any loans made to independent third-party customers.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see Note 40 to the Accountants' Report set out in Appendix I to this prospectus.

On August 3, 2021, Chervon Auto Precision Technology announced that it has obtained approval from the CSRC to issue public A-share convertible bonds in an aggregate principal amount of RMB620 million (US$97.3 million) with a maturity date on the sixth year after the date of issuance. Pursuant to the terms of the convertible bond offering, an existing shareholder of Chervon Auto Precision Technology has pre-emptive rights to subscribe for the convertible bonds in an amount up to the proportional interests of such shareholder in Chervon Auto Precision Technology. Chervon (China) Investment, which is our wholly-owned subsidiary and owns 23.12% of Chervon Auto Precision Technology, has exercised and paid for such pre-emptive rights to subscribe for RMB118.5 million (US$18.6 million) of the principal amount of the convertible bond. As the convertible bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the Global Offering.

Our Directors confirm that other than the amounts due to related parties, the related party transactions were carried out on an arm's length basis and did not cause any distortion of our results of operations or make our historical results not reflective of our performance during the Track Record Period.

Our Directors confirm that although the amounts due to related parties are unsecured and interest free, these amounts arose primarily as a result of the Restructuring and did not cause any distortion of our results of operations or make our historical results not reflective of our performance during the Track Record Period.

As of June 30, 2021, we had US$6.1 million in net settlement of amounts due from and due to related parties. The amounts due from and to related parties were non-trade in nature. We expect all such amounts to be fully repaid and settled prior to the Global Offering.

NO OTHER OUTSTANDING INDEBTEDNESS

Save as disclosed in "– Indebtedness", we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of June 30, 2021, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our indebtedness since June 30, 2021.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks including credit risk and liquidity risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details of the risks to which we are exposed, see Note 37 to the Accountants' Report set out in Appendix I in this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK$40.60 per Share (being the mid-point of the proposed Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses are estimated to be HK$170.3 million, representing approximately 5.8% of the gross proceeds from the Global Offering. The estimated listing expenses consist of (i) underwriting-related expenses (including underwriting fees and commissions) of HK$109.5 million, (ii) fees and expenses of legal advisers and accountants of HK$47.8 million and (iii) other fees and expenses of HK$13.0 million. HK$2.1 million and HK$16.5 million have been recognized as administrative expenses in our consolidated statements of profit or loss for the year ended December 31, 2020 and six months ended June 30, 2021 and after the Track Record Period, respectively, and HK$151.7 million is expected to be accounted for as a deduction from equity directly upon Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amounts may differ from this estimate. Our Directors do not expect such expenses to have a material and adverse impact on our financial results in 2021.

DIVIDEND POLICY

We have adopted a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of our total net profit attributable to us for any particular year. Assuming the Listing occurs in 2021, 2022 will be the first year for which our total net profit attributable to us will be used for purposes of declaring and paying dividends in accordance with the aforementioned general annual dividend policy.

The declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our Shareholders. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under applicable laws, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration of dividend payments. Our future declarations of dividends may or may not reflect our historical declarations of dividends. In addition, our Directors may reassess our dividend policy in the future.

We may distribute dividends by way of cash or by other means that we consider appropriate. We are a holding company incorporated in Hong Kong. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, each of our PRC subsidiaries may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in China, each of our PRC subsidiaries is required to set aside a certain amount of its accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our or their ability to pay dividends or make other payments to our Shareholders or to us.

On December 1, 2018, July 1, 2020 and January 31, 2021, the Board approved certain dividends, and the dividends payable to equity shareholders were US$4.5 million, nil, US$3.7 million and US$15.0 million during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively. As of the Latest Practicable Date, the approved dividends have been paid. Dividends declared in the past are not indicative of our future dividend policy.

DISTRIBUTABLE RESERVES

As of December 31, 2018, 2019, 2020 and the six months ended June 30, 2021, our reserves available for distribution represented retained earnings of the Company, which amounted to US$80.4 million, US$110.3 million, US$147.0 million and US$218.1 million, respectively.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since June 30, 2021, and there is no event since June 30, 2021 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Please refer to the section headed "Summary – Recent Development" for information relating to our operations and financial performance subsequent to the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2021 as if it had taken place on June 30, 2021.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2021 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of June 30, 2021(1)	Estimated net proceeds from this Global Offering(2)(4)	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share	
	(US$'000)	*(US$'000)*	*(US$'000)*	*US$(3)*	*HK$(4)*
Based on an Offer Price of HK$37.60 per Share	337,317	327,373	664,690	1.39	10.81
Based on an Offer Price of HK$43.60 per Share	337,317	382,717	720,034	1.50	11.71

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2021 is calculated based on the audited consolidated total equity attributable to the equity shareholders of the Company of US$338,922,000 less the intangible assets of US$1,605,000 as at that date, as shown in the Accountant's Report, the text of which is set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from this Global Offering are based on the expected issuance of 71,916,000 shares and the indicative Offer Prices of HK$37.60 and HK$43.60 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the estimated underwriting fees and other estimated related expenses payable of the Group of US$14.0 million and US$5.4 million respectively (excluding approximately US$2.4 million listing expenses which have been accounted for prior to June 30, 2021) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived after the above adjustment and on the basis that a total of 479,431,411 shares are in issue following the completion of the Global Offering assuming the Global Offering had been completed on June 30, 2021 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong dollar into United States dollar and the unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is converted from United States dollar into Hong Kong dollar at the exchange rate of HK$1 to US$0.1283, being the prevailing exchange rate by PBOC at the December 6, 2021. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted to United States dollar, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company to reflect any trading results or other transactions entered into subsequent to June 30, 2021.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our business that may have a material adverse effect on our financial position and results of operations in the 12 months period prior to the Latest Practicable Date.

FUTURE PLANS

For further details of our future plans, please see the sections headed "Business – Our Strategies" and "Business – Production – Production Expansion Plan" in this prospectus.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$40.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$2,749.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

In line with our strategies, we intend to use our proceeds from the Global Offering for the following purposes assuming the Offer Price is fixed at HK$40.60 per Offer Share (being the mid-point of the indicative Offer Price range):

- Approximately 66.5%, or HK$1,829.7 million (US$234.7 million), will be used to expand and upgrade our production facilities in China including:

  i. HK$1,602.2 million (US$205.5 million) for our *CHERVON* Smart Production Industrial Park (泉峰智能製造產業園), including US$84.2 million (HK$656.5 million) for purchasing and installing machinery and equipment;

    - We intend to construct our *CHERVON* Smart Production Industrial Park with a total estimated investment amount of approximately US$465.6 million (RMB2,965.8 million), which is scheduled to commence operations in 2024. With the production facility coming into operation, we expect to see a decrease in our average production cost per unit and an increase in our capacity by approximately 10.4 million units. The facility will cover a gross floor area of approximately 402,355 sq.m., and have 164 production lines that cover motors, injection molding and a range of lithium-ion battery powered products, such as hand-held power tools, riding mowers, walk-behind mowers and bench tools. The production facility will be equipped with smart production lines, automated warehouses and logistics and advanced IT systems such as ERP, MES and WMS.

    - Set forth below is a breakdown of the amount of proceeds from the Global Offering that we intend to use for the *CHERVON* Smart Production Industrial Park in each relevant year:

      o Year 2022: (i) US$14.7 million will be used for constructing the facility, (ii) US$15.8 million will be used for purchasing and installing machinery and equipment and (iii) US$21.6 million will be used for acquiring land use rights.

      o Year 2023: (i) US$29.4 million will be used for constructing the facility and (ii) US$31.6 million will be used for purchasing and installing machinery and equipment.

- o Year 2024: (i) US$55.6 million will be used for constructing the facility and (ii) US$36.7 million will be used for purchasing and installing machinery and equipment.

ii. HK$227.5 million (US$29.2 million) for our *CHERVON* Green Power Industrial Park Phase II production facility (泉峰新能源工業園II期), including US$12.3 million (HK$95.9 million) for purchasing and installing machinery and equipment.

- *CHERVON* Green Power Industrial Park Phase II will cover a gross floor area of approximately 152,074 sq.m. This facility will cost an estimated total of approximately US$125.6 million (RMB800.0 million), which is scheduled to commence operations in 2023. This facility is expected to further increase our production capacity by approximately 12.0 million units on an annual basis. *CHERVON* Green Power Industrial Park Phase II will produce both power tools and OPE products.

- Set forth below is a breakdown of the amount of proceeds from the Global Offering that we intend to use for the *CHERVON* Green Power Industrial Park Phase II in each relevant year:

  - o Year 2022: (i) US$11.5 million will be used for constructing the facility and (ii) US$7.0 million will be used for purchasing and installing machinery and equipment.

  - o Year 2023: (i) US$5.4 million will be used for constructing the facility and (ii) US$5.3 million will be used for purchasing and installing machinery and equipment.

For details of our expansion plans, please see the sections headed "Business – Production – Production Expansion Plan" in this prospectus.

We develop production expansion plans based on, among other things, (i) estimated supply and demand for relevant products; (ii) prevailing and anticipated prices for relevant products; (iii) utilization of existing manufacturing facilities and feasibility for expanding existing facilities; (iv) estimated cost of development; and (v) availability and cost of capital resources. Please refer to the section headed "Business – Production – Existing Production Facilities" for further details regarding our existing production facilities. Although our customers' purchases are made on a purchase order basis, we have partnered with our existing customers from product design through product development to the final delivery of our products. We have collaborated with them on product planning and developed long-term relationships. Our production expansion plan is primarily based on our understandings of business plans, product planning, potential demands for existing and new products and expected orders from these customers in the coming years. Such close partnerships and communications enable us to anticipate, identify and react to the market trends and understand customers' demands so as to facilitate our overall strategy formulation and planning, and to capture growth opportunities in different segments of the market.

With our own production facilities, we have more flexibility to tailor the design of the facilities to our use, upgrade the facilities or install new equipment. Further, we can avoid rent increases, and we would not need to spend time and effort on finding new suitable leased properties and incur expensive relocation costs when leases expire or are terminated. We can also save costs associated with logistics and transportation due to the geographic proximity of the planned production facilities to our existing facilities in Nanjing.

We believe that there will be sufficient market demand to support our expansion plan based on several reasons, including (i) the global cordless power tool market and global cordless OPE market by revenue are estimated by Frost & Sullivan to increase at a CAGR of 9.9% and 9.0% from 2020 to 2025, respectively; (ii) during the Track Record Period, our revenue for power tools grew at a CAGR of 16.9% and our revenue for OPE products grew at a CAGR of 62.8% from 2018 to 2020; and (iii) the COVID-19 pandemic has not had a material adverse effect on the demand from our customers and end users. With the large scale of our new production bases, we will be able to fulfill customer demand and the needs of our rapid business growth. There is no guarantee that any of the expansion projects will proceed as planned. We may also invest in additional expansion projects as we continue to grow our business worldwide.

- Approximately 9.0%, or HK$247.4 million (US$31.7 million), will be used for research and development of our products, including (i) US$22.1 million (HK$172.7 million) for the compensation of additional research and development staff, including in the areas of advanced BMS, high-power vector electric control, intelligent parameter identification, robotics, AI and IoT and (ii) US$9.6 million (HK$74.7 million) for other research and development costs, such as purchasing and upgrading research and development equipment, as well as purchasing research and development materials and consumables. In particular, we plan to increase the power and longevity of our battery platforms and further reducing weight and noise levels of our electric power tools. We will also seek to make our battery platforms compatible across a wider range of electric power tools and OPE products. We will also develop and offer IoT-enabled products to improve user convenience. We expect to hire approximately 15 additional research and development employees with the requisite experience and qualifications in each of year 2022, 2023 and 2024, representing a total increase of approximately 45 employees. The annual salaries for each additional research and development employee will generally range from RMB350,000 to RMB600,000.

- Approximately 7.0%, or HK$191.9 million (US$24.6 million), will be used for enhancing sales and distribution channels, including (i) US$2.4 million (HK$18.5 million) for the compensation of additional sales and marketing staff and (ii) US$22.2 million (HK$173.4 million) for advertising and promotional activities in key markets such as North America, Europe and China. We will further develop our multi-channel sales and distribution strategy and promote our products and brands through different channels, including online advertisements and other targeted marketing campaigns. We will enhance our sales and distribution channels primarily through hiring talents and deepening our relationships with qualified retailers and distributors. We expect to hire approximately 8 additional sales and marketing employees with the requisite experience and qualifications in each of year 2022, 2023 and 2024, representing a total increase of approximately 23 employees. The annual salaries for each additional employee will be approximately RMB300,000.

- Approximately 7.5%, or RMB170.9 million (HK$205.6 million), will be used to pay interest-bearing bank borrowings (which were generally used for working capital purposes), among which:

  i. Approximately 5.9%, or RMB134.5 million (HK$161.7 million), will be used to partially repay RMB236.0 million of borrowings from the Export-Import Bank of China (中國進出口銀行). As of June 30, 2021, our borrowings from the Export-Import Bank of China bore an effective interest rate of 3.4%, with maturities up to March 16, 2022.

  ii. Approximately 0.2%, or RMB5.7 million (HK$6.9 million), will be used to partially repay RMB10.0 million of borrowings from Ping An Bank (平安銀行). As of June 30, 2021, our borrowings from Ping An Bank bore an effective interest rate of 4.50%, with maturities up to January 5, 2022.

  iii. Approximately 0.5%, or RMB10.8 million (HK$13.0 million), will be used to partially repay RMB19.0 million of borrowings from Jiangsu Zijin Rural Commercial Bank (江蘇紫金農村商業銀行). As of June 30, 2021, our borrowings from Jiangsu Zijin Rural Commercial Bank bore an effective interest rate of 4.35%, with maturities up to March 18, 2022.

  iv. Approximately 0.4%, or RMB8.5 million (HK$10.3 million), will be used to partially repay RMB15.0 million of borrowings from Bank of China (中國銀行). As of June 30, 2021, our borrowings from Bank of China bore an effective interest rate of 4.10%, with maturities up to March 2, 2022.

  v. Approximately 0.5%, or RMB11.4 million (HK$13.7 million), will be used to partially repay RMB20 million of borrowings from Bank of Jiangsu (江蘇銀行). As of June 30, 2021, our borrowings from Bank of Jiangsu bore an effective interest rate of 4.36%, with maturities up to January 27, 2022.

- Approximately 10.0%, or HK$274.9 million (US$35.3 million), will be used for working capital and other general corporate purposes.

Except for the amount of HK$205.6 million that we expect to use to repay interest-bearing bank borrowings, the allocation of the proceeds outlined above will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or lower level compared to the mid-point of the estimated offer price range or the Over-allotment Option is exercised. If the Offer Price is fixed at a higher level compared to the mid-point of the estimated offer price range or the Over-allotment Option is exercised, not more than 10% of the net proceeds will be used for working capital and other general corporate purposes.

Assuming an Offer Price of HK$37.60 per Offer Share (being the low end of the Offer Price range stated in this prospectus), we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK$2,704.0 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK$2,541.9 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we currently intend to deposit the net proceeds only into short-term interest-bearing deposits in licensed banks and/or financial institutions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
BOCOM International Securities Limited
CMB International Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 7,191,600 Hong Kong Offer Shares and the International Offering of initially 64,724,400 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be offered pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of trading of the Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may in their absolute discretion and upon giving notice in writing to our Company terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events shall occur prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event, or series of events or circumstances, in the nature of force majeure (including any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of diseases, escalation or adverse mutation of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, Vietnam, Canada, Australia, the European Union (or any member thereof) (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change or any event or circumstances likely to result in any change or development involving a prospective change in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any other Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(v) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent governmental Authority in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions under any sanctions laws in any of the Relevant Jurisdictions; or

(vii) any change or development involving a prospective change in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) other than with the prior written consent of the Joint Representatives, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus, the **GREEN** Application Form or other documents issued or used in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(ix) any order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(x) any litigation, legal action, claim of any third party or regulatory, investigation being threatened, instigated, or announced against any member of the Group or any of the Controlling Shareholders; or

(xi) any change or development involving a prospectus change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xii) save as disclosed in this prospectus, any contravention by any member of the Group of any applicable laws or the Listing Rules; or

(xiii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xiv) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company, or being subject to any disciplinary proceedings by or before any authority in any Relevant Jurisdiction; or

(xv) the chief executive officer or the chief financial officer of our Company vacating his office; or

(xvi) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director, which, individually or in the aggregate, in the sole opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or is likely to result in a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group, taken as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of any of the Joint Representatives that:

(i) any statement contained in any of this prospectus, the **GREEN** Application Form and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) but excluding information relating to the Hong Kong Underwriters and the International Underwriters) was, when it was issued, or has become, untrue, inaccurate or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by our Company or any of the Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(iv) any material breach of any of the obligations imposed upon our Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable; or

(v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group, taken as a whole; or

(vi) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option) is refused or not granted, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions), revoked or withheld; or

(vii) any person (other than any of the Joint Sponsors) has withdrawn its consent to being named in this prospectus or to the issue of any of this prospectus and the **GREEN** Application Form; or

(viii) our Company withdraws this prospectus, the **GREEN** Application Form or the Global Offering; or

(ix) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not issue any further Shares, or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering and the Over-allotment Option, (b) upon the exercise of the options granted, or (c) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except in compliance with the requirements of the Listing Rules, he/it will not and will procure that the relevant registered holder(s) will not, either directly or indirectly:

(a) in the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of our Company in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, he/it will and will procure that the relevant registered holder(s) will:

(a) when he/it pledges or charges any securities of our Company beneficially owned by him/her in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of the securities so pledged or charged; and

(b) when he/it receives any indication, either verbal or written, from the pledgee or chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraph (a) and (b) above (if any) by any of the Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company and the Controlling Shareholders in respect of our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on and including the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(a) allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, mortgage, pledge, hypothecate, lend, grant or sell any option, warrant, right or contract to subscribe for or purchase, grant or purchase any option, warrant, right or contract to allot, issue or sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interests in any of the foregoing (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest therein (including without limitation any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce that our Company will enter into any such transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other equity securities of our Company will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to, or announces any intention to, enter into any such transactions, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other equity securities of the Company in a manner that violates the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

The Controlling Shareholders have jointly and severally undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

Each of our Company and the Controlling Shareholders agrees and undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters, that it will not affect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters).

Undertakings by the Controlling Shareholders in respect of themselves

Each of the Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that, except as pursuant to the exercise of the Over-allotment Option and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any

Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to affect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not issue of such Shares or other securities will be completed within the First Six-Month Period); and

(b) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to affect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

The restrictions in above do not apply to any pledge or charge or any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company) after the Global Offering in favor of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (the "**Banking Ordinance**"), for a bona fide commercial loan.

Undertakings by the existing Shareholders (other than the Controlling Shareholders)

Each of the existing Shareholders (other than the Controlling Shareholders) has undertaken to the Company and the Joint Representatives that except as may be required by applicable law and regulation or with the prior written consent of the Company and the Joint Representatives, they will not and will procure that none of the companies controlled by them or any nominee or trustee holding in trust for them will, at any time during the period commencing on the date of their respective undertaking and ending on, and including the date that is six months from the Listing Date (the "**Lock-up Period**"):

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (the "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) directly or indirectly held by them as at the date of their respective undertaking (the "**Lock-up Shares**"), or deposit any Lock-up Shares or other securities of the Company with a depositary in connection with any issue of depositary receipts, or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Lock-up Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company), or

(iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in clause (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in clause (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Lock-up Period), provided that the above shall not apply to, *inter alia*, Shares acquired by them directly or indirectly after the Listing Date.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. See the section headed "Structure of the Global Offering – The International Offering" in this prospectus for more details.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 10,787,400 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations (if any) in the International Offering. See the section headed "Structure of the Global Offering – Over-allotment Option" in this prospectus for more details.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 0.75% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$40.60 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and no exercise of the Over-allotment Option) will be approximately HK$109.5 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$178.1 million (assuming an Offer Price of HK$40.60 per Offer Share (being the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and no exercise of the Over-allotment Option), which will be made by our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilization Manager or its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and The Hongkong and Shanghai Banking Corporation Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

71,916,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 7,191,600 Shares (subject to reallocation) in Hong Kong as described in the sub-section "The Hong Kong Public Offering" in this section below; and

(b) the International Offering of initially 64,724,400 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the sub-section headed "The International Offering" this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 15.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 16.9% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

References in this prospectus to applications, the **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 7,191,600 Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A and pool B (with any odd lots being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 3,595,800 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached.

If the International Offering is fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 21,574,800 Offer Shares (in the case of (a)), 28,766,400 Offer Shares (in the case of (b)) and 35,958,000 Offer Shares (in the case of (c)), representing approximately 30%, approximately 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option), reallocation being referred to in this prospectus as "Mandatory Reallocation". In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. In addition, the Joint Representatives may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Representatives have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 7,191,600 Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 14,383,200 Shares, representing approximately 20% of the total number of Offer Shares initially available under the Global Offering; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$37.60 per Offer Share) stated in this prospectus.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Wednesday, December 29, 2021.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/her/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$43.60 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$4,403.94 for one board lot of 100 Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK$43.60 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 64,724,400 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 13.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in accordance with Rule 144A as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in sub-section headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection "The Hong Kong Public Offering – Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 10,787,400 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, cover over-allocations (if any) in the International Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.2% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilization Manager (or its affiliates or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilization Manager (or its affiliates or any person acting for it) and in what the Stabilization Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilization Manager (or its affiliates or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilization Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilization Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or its affiliates or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, through stock borrowing arrangement or by a combination of these these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 10,787,400 Offer Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilization Manager (on its own or through its affiliates) may choose to borrow up to 10,787,400 Shares (representing the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Panmercy pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilization Manager and/or its affiliates and Panmercy on or around the Price Determination Date.

If the Stock Borrowing Agreement is entered into, the borrowing of Shares will only be affected by the Stabilization Manager (on its own or through its affiliates) for the settlement of over-allocations in the International Offering.

The same number of Shares so borrowed must be returned to Panmercy on the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and all relevant Shares have been issued and allotted by the Company, or (c) such earlier time as the Stabilization Manager and/or its affiliates and Panmercy may from time to time agree in writing.

The shares borrowing arrangement described above will be affected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Panmercy by the Stabilization Manager (on its own or through its affiliates) in relation to such shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, December 22, 2021 and, in any event, no later than Thursday, December 23, 2021, by agreement between the Joint Representatives (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$43.60 per Offer Share and is expected to be not less than HK$37.60 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$43.60 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$4,403.94 for one board lot of 100 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **https://global.chervongroup.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – (D) Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Representatives (on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Representatives (on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and our Company on or before Thursday, December 23, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **https://global.chervongroup.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – (F) Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, December 30, 2021, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 30, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 30, 2021.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 2285.

IMPORTANT NOTICE TO INVESTORS:

Fully Electronic Application Process

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **https://global.chervongroup.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Share Registrar, at +852 3907 7333 from (i) 9:00 a.m. to 6:00 p.m. on Friday, December 17, 2021; (ii) 9:00 a.m. to 6:00 p.m. on Monday, December 20, 2021; (iii) 9:00 a.m. to 6:00 p.m. on Tuesday, December 21, 2021 and (iv) 9:00 a.m. to 12:00 noon on Wednesday, December 22, 2021.

(A) APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names.

If an application is made by a person under a power of attorney, our Company and the Joint Representatives, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or shares of any of our Company's subsidiaries;
- you are a director, supervisor or chief executive of our Company and/or any of our Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Representatives (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Articles of Association, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, the **HK eIPO White Form** Service Provider, any of their or our Company's respective directors, officers, employees, partners, agents, advisers or representatives and any other parties involved in the Global Offering (the "**Relevant Persons**") is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to our Company, the Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither our Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Joint Representatives may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering and in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 14,383,200 Offer Shares). Further details of the reallocation are stated in the section headed "Structure of the Global Offering" in this prospectus;

(r) understand that our Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
100	4,403.94	2,000	88,078.71	30,000	1,321,180.72	400,000	17,615,742.88
200	8,807.88	3,000	132,118.07	40,000	1,761,574.29	500,000	22,019,678.60
300	13,211.80	4,000	176,157.43	50,000	2,201,967.86	600,000	26,423,614.32
400	17,615.74	5,000	220,196.79	60,000	2,642,361.43	700,000	30,827,550.04
500	22,019.68	6,000	264,236.14	70,000	3,082,755.00	800,000	35,231,485.76
600	26,423.62	7,000	308,275.50	80,000	3,523,148.58	900,000	39,635,421.48
700	30,827.55	8,000	352,314.86	90,000	3,963,542.15	1,000,000	44,039,357.20
800	35,231.48	9,000	396,354.21	100,000	4,403,935.72	2,000,000	88,078,714.40
900	39,635.42	10,000	440,393.57	200,000	8,807,871.44	3,000,000	132,118,071.60
1,000	44,039.36	20,000	880,787.14	300,000	13,211,807.16	3,595,800[1]	158,356,720.62

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in "– A. Applications for Hong Kong Offer Shares – 2. Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the Share Registrar at +852 3907 7333 which is available from (i) 9:00 a.m. to 6:00 p.m. on Friday, December 17, 2021; (ii) 9:00 a.m. to 6:00 p.m. on Monday, December 20, 2021; (iii) 9:00 a.m. to 6:00 p.m. on Tuesday, December 21, 2021 and (iv) 9:00 a.m. to 12:00 noon on Wednesday, December 22, 2021.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, December 17, 2021 until 11:30 a.m. on Wednesday, December 22, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, December 22, 2021, the last day for applications, or such later time as described in the paragraph headed "– (C) Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

If you are a nominee, in the box marked "For Nominees" you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. Applying Through the CCASS EIPO Service

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives and the Share Registrar.

Applying through the CCASS EIPO Service

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

- confirm that you understand that our Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorize our Company to place HKSCC Nominees' name on the Share register of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to our Company, the Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, December 17, 2021 – 9:00 a.m. to 8:30 p.m.
- Monday, December 20, 2021 – 8:00 a.m. to 8:30 p.m.
- Tuesday, December 21, 2021 – 8:00 a.m. to 8:30 p.m.
- Wednesday, December 22, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, December 17, 2021 until 12:00 noon on Wednesday, December 22, 2021 (24 hours daily, except on Wednesday, December 22, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, December 22, 2021, the last day for applications or such later time as described in "– (C) Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Share Registrar, the receiving bank, the Joint Representatives, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or its Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check or e-Auto Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;

- maintaining or updating our Company's Register of Members;

- verifying identities of the holders of our Company's Shares;

- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;

- distributing communications from our Company and its subsidiaries;

- compiling statistical information and profiles of the holder of our Company's Shares;

- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable our Company and the Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by our Company and its Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and its Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers and receiving bankers;

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc..

Retention of Personal Data

Our Company and its Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The subscription of the Hong Kong Offer Shares through giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make your electronic application. Our Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, December 22, 2021, the last day for applications, or such later time as described in the paragraph headed "– (C) Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

(B) HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$43.60 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$4,403.94.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in "4. Minimum Application Amount and Permitted Numbers" in this section, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

(C) EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 22, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, December 22, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made.

(D) PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, December 29, 2021 on the websites of our Company at **https://global.chervongroup.com** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at **https://global.chervongroup.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Wednesday, December 29, 2021;

- from "allotment results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Wednesday, December 29, 2021 to 12:00 midnight on Tuesday, January 4, 2022; and

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, December 29, 2021 to Monday, January 3, 2022 (excluding Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

(E) CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

- By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus; or

(ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- you apply for more than 3,595,800 Hong Kong Offer Shares, being approximately 50% of the 7,191,600 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Joint Representatives believe that by accepting your application, they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

(F) REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, December 29, 2021.

(G) DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the CCASS EIPO service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheque(s) and Share certificate(s) are expected to be posted on or before Wednesday, December 29, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 30, 2021, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination set out in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply through the HK eIPO White Form service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 29, 2021, or any other place or date notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, December 29, 2021 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) in your name (or, in the case of joint applications, the first-named applicant) by ordinary post and at your own risk.

(b) If you apply through the CCASS EIPO service:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 29, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "– (D) Publication of Results" above on Wednesday, December 29, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 29, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, December 29, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 29, 2021.

(H) ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHERVON HOLDINGS LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of Chervon Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-125, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2018, 2019 and 2020 and June 30, 2021, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-125 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 17, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2018, 2019 and 2020 and June 30, 2021 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2020 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 36(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Section 436 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

The Historical Financial Information contained in this Prospectus does not constitute the Company's statutory annual consolidated financial statements for the years ended 31 December 2018, 2019 or 2020 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditors have reported on these financial statements for the three years. The auditors' reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

December 17, 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in US dollar)

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Revenue	4	690,698	843,578	1,200,902	514,359	868,797
Cost of sales		(515,173)	(588,325)	(832,190)	(366,701)	(617,688)
Gross profit		175,525	255,253	368,712	147,658	251,109
Other revenue	5(a)	3,515	3,838	5,801	2,791	2,081
Other net (loss)/gain	5(b)	(8,192)	943	(3,140)	(1,647)	19,754
Selling and distribution expenses		(100,527)	(128,083)	(179,447)	(73,411)	(96,418)
Administrative and other operating expenses		(45,378)	(48,932)	(82,843)	(25,280)	(32,614)
Research and development costs		(27,656)	(31,356)	(38,939)	(16,984)	(27,967)
(Loss)/profit from operations		(2,713)	51,663	70,144	33,127	115,945
Net finance costs	6(a)	(17,164)	(19,754)	(17,357)	(8,070)	(7,895)
Share of profits of associates	17	4,287	9,206	6,724	155	2,801
Share of profits of a joint venture	18	1,176	1,233	–	–	–
(Loss)/profit before taxation	6	(14,414)	42,348	59,511	25,212	110,851
Income tax credit/(expense)	7	957	(6,266)	(11,123)	(4,721)	(19,612)
(Loss)/profit for the year/period		(13,457)	36,082	48,388	20,491	91,239
Attributable to:						
Equity shareholders of the Company		(14,084)	33,976	44,359	18,062	86,062
Non-controlling interests		627	2,106	4,029	2,429	5,177
(Loss)/profit for the year/period		(13,457)	36,082	48,388	20,491	91,239
Earnings per share	11					
Basic (USD)		(0.04)	0.09	0.11	0.05	0.21
Diluted (USD)		(0.04)	0.09	0.11	0.05	0.21

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in US dollar)

	Note	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020	Six months ended June 30, 2020	Six months ended June 30, 2021
		USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
(Loss)/profit for the year/period		(13,457)	36,082	48,388	20,491	91,239
Other comprehensive income for the year/period (after tax adjustments)	*10*					
Item that will not be reclassified to profit or loss:						
Remeasurement of net defined benefit liability, net of tax		(19)	(86)	(39)	(20)	(25)
Item that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of financial statements of subsidiaries with functional currencies other than US dollar ("USD")		(4,843)	(1,258)	17,451	(5,661)	818
Other comprehensive income for the year/period		(4,862)	(1,344)	17,412	(5,681)	793
Total comprehensive income for the year/period		(18,319)	34,738	65,800	14,810	92,032
Attributable to:						
Equity shareholders of the Company		(18,160)	32,329	60,221	12,616	86,809
Non-controlling interests		(159)	2,409	5,579	2,194	5,223
Total comprehensive income for the year/period		(18,319)	34,738	65,800	14,810	92,032

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US dollar)

	Note	As at December 31, 2018	As at December 31, 2019	As at December 31, 2020	As at June 30, 2021
		USD'000	*USD'000*	*USD'000*	*USD'000*
Non-current assets					
Properties, plants and equipment	*12*	109,520	120,020	143,020	165,654
Right-of-use assets	*13*	41,720	40,829	42,629	42,048
Investment properties	*14*	1,614	1,384	1,262	–
Intangible assets	*15*	2,347	2,050	1,754	1,605
Interest in associates	*17*	49,069	58,011	57,201	58,268
Interest in a joint venture	*18*	6,865	–	–	–
Prepayments, deposits and other receivables	*24*	4,663	3,485	4,455	5,764
Financial assets at fair value through profit or loss ("FVPL")	*20*	20,718	17,267	5,849	5,938
Deferred tax assets	*30(b)*	21,415	21,217	24,178	21,480
		257,931	264,263	280,348	300,757
Current assets					
Financial assets at FVPL	*20*	12,380	3,595	5,372	2,785
Derivative financial instruments	*21*	481	956	5,827	3,107
Inventories	*22*	214,919	297,645	288,680	378,912
Right to returned goods asset		1,921	2,078	5,618	4,198
Trade and bills receivables	*23*	127,347	135,233	254,368	319,089
Prepayments, deposits and other receivables	*24*	21,450	28,386	40,170	22,858
Taxation recoverable	*30(a)*	11,402	17,764	21,975	22,907
Pledged deposits	*25(b)*	24,713	23,193	22,172	63,491
Cash and cash equivalents	*25(a)*	73,266	94,064	166,937	238,582
		487,879	602,914	811,119	1,055,929
Current liabilities					
Bank loans	*26*	316,231	337,558	290,459	395,832
Derivative financial instruments	*21*	3,694	1,294	289	618
Lease liabilities	*27*	1,653	2,122	3,161	3,361
Trade and bills payables	*28*	138,883	163,808	247,529	350,691
Other payables and accruals	*29*	56,499	87,891	130,137	157,561
Taxation payable	*30(a)*	2,371	3,909	6,628	15,069
Warranty provision	*31*	7,273	8,394	15,175	18,796
Refund liabilities from right of return	*32*	2,622	3,077	8,218	5,914
		529,226	608,053	701,596	947,842
Net current (liabilities)/assets		(41,347)	(5,139)	109,523	108,087
Total assets less current liabilities		216,584	259,124	389,871	408,844

The accompanying notes form part of the Historical Financial Information.

		As at December 31,			As at June 30,
	Note	2018	2019	2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000*
Non-current liabilities					
Bank loans	*26*	13,287	19,167	47,402	8,722
Lease liabilities	*27*	13,812	13,693	13,517	12,872
Warranty provision	*31*	13,121	15,246	30,775	32,215
Deferred income	*33*	4,131	3,974	4,152	4,145
Defined benefit retirement plans obligation	*34*	922	921	972	956
Deferred tax liabilities	*30(b)*	4,196	5,285	9,029	11,012
		49,469	58,286	105,847	69,922
NET ASSETS		167,115	200,838	284,024	338,922
CAPITAL AND RESERVES					
Share capital	*36*	50,279	50,279	50,279	58,135
Reserves	*36*	99,523	131,852	209,459	280,787
Total equity attributable to equity shareholders of the Company		149,802	182,131	259,738	338,922
Non-controlling interests		17,313	18,707	24,286	–
TOTAL EQUITY		167,115	200,838	284,024	338,922

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in US dollar)

		As at December 31,			As at June 30,
	Note	**2018**	**2019**	**2020**	**2021**
		USD'000	*USD'000*	*USD'000*	*USD'000*
Non-current assets					
Interests in subsidiaries	*16*	177,650	192,061	212,677	250,506
Investment in a joint venture	*18*	5,029	–	–	–
Loans to a subsidiary	*19*	2,296	–	–	–
		184,975	192,061	212,677	250,506
Current assets					
Prepayments, deposits and other receivables	*24*	16,062	17,679	18,704	14,434
Pledged deposits	*25(b)*	402	402	403	401
Cash and cash equivalents	*25(a)*	3	4	4	302
		16,467	18,085	19,111	15,137
Current liability					
Other payables and accruals	*29*	884	814	884	43,901
		884	814	884	43,901
Net current assets/(liabilities)		15,583	17,271	18,227	(28,764)
Total assets less current liabilities		200,558	209,332	230,904	221,742
NET ASSETS		200,558	209,332	230,904	221,742
CAPITAL AND RESERVES					
Share capital	*36*	50,279	50,279	50,279	58,135
Reserves	*36*	150,279	159,053	180,625	163,607
TOTAL EQUITY		200,558	209,332	230,904	221,742

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in US dollar)

		Attributable to equity shareholders of the Company								
	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at January 1, 2018		50,279	–	17,730	2,967	(182)	101,668	172,462	17,472	189,934
Changes in equity for 2018:										
Loss for the year		–	–	–	–	–	(14,084)	(14,084)	627	(13,457)
Other comprehensive income	*10*	–	–	–	(4,057)	(19)	–	(4,076)	(786)	(4,862)
Total comprehensive income		–	–	–	(4,057)	(19)	(14,084)	(18,160)	(159)	(18,319)
Appropriation of reserve	*36(d)(ii)*	–	–	2,693	–	–	(2,693)	–	–	–
Appropriation of dividends	*36(b)*	–	–	–	–	–	(4,500)	(4,500)	–	(4,500)
Balance at December 31, 2018		50,279	–	20,423	(1,090)	(201)	80,391	149,802	17,313	167,115

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at December 31, 2018 and January 1, 2019		50,279	–	20,423	(1,090)	(201)	80,391	149,802	17,313	167,115
Changes in equity for 2019:										
Profit for the year		–	–	–	–	–	33,976	33,976	2,106	36,082
Other comprehensive income	10	–	–	–	(1,561)	(86)	–	(1,647)	303	(1,344)
Total comprehensive income		–	–	–	(1,561)	(86)	33,976	32,329	2,409	34,738
Appropriation of reserve	36(d)(ii)	–	–	4,075	–	–	(4,075)	–	–	–
Disposal of a subsidiary	25(g)	–	–	–	–	–	–	–	(1,015)	(1,015)
Balance at December 31, 2019		50,279	–	24,498	(2,651)	(287)	110,292	182,131	18,707	200,838

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at December 31, 2019 and January 1, 2020		50,279	–	24,498	(2,651)	(287)	110,292	182,131	18,707	200,838
Changes in equity for 2020:										
Profit for the year		–	–	–	–	–	44,359	44,359	4,029	48,388
Other comprehensive income	*10*	–	–	–	15,901	(39)	–	15,862	1,550	17,412
Total comprehensive income		–	–	–	15,901	(39)	44,359	60,221	5,579	65,800
Appropriation of reserve	*36(d)(ii)*	–	–	3,929	–	–	(3,929)	–	–	–
Appropriation of dividends	*36(b)*	–	–	–	–	–	(3,691)	(3,691)	–	(3,691)
Equity settled share-based transactions	*35*	–	21,077	–	–	–	–	21,077	–	21,077
Balance at December 31, 2020		50,279	21,077	28,427	13,250	(326)	147,031	259,738	24,286	284,024

The accompanying notes form part of the Historical Financial Information.

	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company								
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at December 31, 2020 and January 1, 2021		50,279	21,077	28,427	13,250	(326)	147,031	259,738	24,286	284,024
Changes in equity for the six months ended June 30, 2021:										
Profit for the six-month period		–	–	–	–	–	86,062	86,062	5,177	91,239
Other comprehensive income	*10*	–	–	–	772	(25)	–	747	46	793
Total comprehensive income		–	–	–	772	(25)	86,062	86,809	5,223	92,032
Appropriation of dividends	*36(b)*	–	–	–	–	–	(15,000)	(15,000)	–	(15,000)
Issuance of ordinary shares	*36(c)*	7,856	–	–	–	–	–	7,856	–	7,856
Acquisition of non-controlling interests		–	(481)	–	–	–	–	(481)	(27,945)	(28,426)
Disposal of a subsidiary	*25(g)*	–	–	–	–	–	–	–	(1,564)	(1,564)
Balance at June 30, 2021		58,135	20,596	28,427	14,022	(351)	218,093	338,922	–	338,922

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
(Unaudited)										
Balance at December 31, 2019 and January 1, 2020		50,279	–	24,498	(2,651)	(287)	110,292	182,131	18,707	200,838
Changes in equity the six months ended June 30, 2020:										
Profit for the six-month period		–	–	–	–	–	18,062	18,062	2,429	20,491
Other comprehensive income	*10*	–	–	–	(5,426)	(20)	–	(5,446)	(235)	(5,681)
Total comprehensive income		–	–	–	(5,426)	(20)	18,062	12,616	2,194	14,810
Balance at June 30, 2020		50,279	–	24,498	(8,077)	(307)	128,354	194,747	20,901	215,648

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in US dollar)

		Year ended December 31,			Six months ended June 30,	
	Note	**2018**	**2019**	**2020**	**2020**	**2021**
		USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Operating activities						
Cash generated from operations	*25(c)*	15,749	49,638	144,846	74,488	96,509
Tax paid	*30(a)*	(7,606)	(10,061)	(11,117)	(8,231)	(7,407)
Net cash generated from operating activities		8,143	39,577	133,729	66,257	89,102
Investing activities						
Payment for the acquisition of properties, plants and equipment		(26,292)	(25,591)	(31,557)	(15,778)	(36,103)
Proceeds from disposal of properties, plants and equipment		477	341	542	271	86
Proceeds from disposal of financial assets measured at fair value through profit or loss		56,602	143,707	144,091	71,964	125,480
Payment for acquisition of financial assets measured at fair value through profit or loss		(53,977)	(141,917)	(133,541)	(66,771)	(123,263)
Acquisition of subsidiaries, net	*25(f)*	–	(3,330)	–	–	–
Disposal of subsidiaries, net	*25(g)*	–	(291)	–	–	32,740
Disposal of associate, net		–	–	–	–	1,287
Dividends received		1,003	1,018	4,167	–	–
Interest received		247	605	638	239	460
Net cash (used in)/generated from investing activities		(21,940)	(25,458)	(15,660)	(10,075)	687

The accompanying notes form part of the Historical Financial Information.

	Note	Year ended December 31, 2018	2019	2020	Six months ended June 30, 2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Financing activities						
Capital element of lease rental paid	*25(d)*	(1,654)	(2,272)	(2,517)	(1,076)	(1,826)
Interest element of lease rental paid	*25(d)*	(622)	(611)	(603)	(301)	(120)
Proceeds from new bank loans	*25(d)*	618,788	587,314	604,400	310,943	288,269
Repayment of bank loans	*25(d)*	(549,087)	(557,388)	(638,445)	(318,695)	(223,546)
Interest paid	*25(d)*	(21,103)	(19,976)	(15,552)	(5,738)	(10,419)
(Increase)/decrease in pledged deposits for banking facilities		(11,304)	501	2,284	(3,241)	(35,874)
Acquisition of non-controlling interests		–	–	–	–	(28,426)
Proceeds from issuance of ordinary shares	*36(c)*	–	–	–	–	7,856
Dividends paid to equity shareholders of the Company	*36(b)*	–	–	–	–	(15,000)
Net cash generated from/(used in) financing activities		35,018	7,568	(50,433)	(18,108)	(19,086)
Net increase in cash and cash equivalents		21,221	21,687	67,636	38,074	70,703
Cash and cash equivalents at the beginning of the year/period	*25(a)*	54,798	73,266	94,064	94,064	166,937
Effect of foreign exchange rate changes		(2,753)	(889)	5,237	(1,775)	942
Cash and cash equivalents at the end of the year/period	*25(a)*	73,266	94,064	166,937	130,363	238,582
Significant non-cash investing and financing activities						
Net settlement of amounts due from and due to related parties		4,500	3,691	–	–	6,074

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

Chervon Holdings Limited (the "Company") was incorporated in Hong Kong on February 19, 1999 as a limited liability company with its registered office at Unit 04, 22/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kln, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in researching, developing, manufacturing, testing, sales, and after-sale services for power tools, outdoor power equipment and related products. The information of the principal subsidiaries is set out in Note 16.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods. The accounting policies set out in Note 2 have been applied consistently throughout the Relevant Periods and the Group has not adopted any new standards or interpretations that are effective for the accounting year beginning on or after January 1, 2021. The revised and new accounting standards and interpretations issued which effective for the accounting years beginning on or after January 1, 2021 and not yet adopted by the Group are set out in Note 42.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is presented in USD, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies as set out below.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and a joint venture

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(l)(ii)). Any the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and the associates or the joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

In the company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(l)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Business combinations and goodwill

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

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

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and a joint venture, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 37(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iii)).

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (FVOCI) (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in Note 2(v)(v).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment property

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 2(v)(ii).

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of that properties for measurement or disclosure purposes.

Depreciation is calculated to write off the cost of investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

	Estimated useful life
Plant and buildings	20 years
Leasehold land	over the period of leases

(i) Property, plant and equipment

Property, plant and equipment are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value). Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Leasehold land *(see Note 2(k))*	over the period of leases
Plant and buildings	20 years or remaining lease terms
Machinery and equipment	5-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(l)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads. Other development expenditure is recognized as an expense in the period in which it is incurred.

Intangible assets that are acquired through business combination are stated at cost (the acquisition date fair value) less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(l)(ii)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life
Patents	10 years
Trademarks	10 years

The patents and trademark of the Group is associated with different products arising from the combination and acquisition from a third party. The useful lives of patents and trademark are estimated based on the remaining period of economic benefits to be derived from the respective products to be produced relying on the acquired patents and product trademark.

The Group estimates the period of economic benefits to be derived from the respective products based on the expected time period required from its discovery to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on such assessment, the Group considers that the expected economic useful lives of the patents and trademark held by the Group are 10 years.

Both the period and method of amortization are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents "right-of-use assets" and presents "lease liabilities" separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(v)(ii).

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties and third parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is twelve months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(v)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– properties, plants and equipment, including right-of-use assets;

– investment properties;

– intangible assets;

– interest in associates and interest in a joint venture; and

– interest in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment:

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(n) Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see Note 2(v)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(o)).

(o) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within six months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i).

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(y)).

(r) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(ii) Termination benefits

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

(iii) Defined benefit retirement plans obligation

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "selling and distribution expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iv) Share-based payments

The fair value of share-based payment awards granted to employees is recognized as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number that vest (with a corresponding adjustment to the reserve).

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

For a sale of goods with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability (see Note 2(w)); and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iv) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are presented in the consolidated statements of financial position by setting up the grant as deferred income and consequently are effectively recognized in profit or loss on a systematic basis over the useful life of the asset.

(v) Dividends

Dividend income is recognized when the shareholder's right to receive payment is established.

(w) Refund liabilities

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

(x) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into USD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(y) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Significant accounting judgements and estimates

Key sources of estimation uncertainty

Notes 20, 21, 23, 35, and 37(e) contains information about the assumptions and their risk factors relating to fair value of financial assets and fair value of shares granted. Other key sources of estimation uncertainty are as follows:

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(b) Impairment of trade and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(c) Warranty provisions

The Group makes provisions under the warranties it gives on sale of its power tools and outdoor power equipment taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Equity settled share-based transactions

The determination of the fair values of ordinary shares granted under Share Incentive Scheme to the qualified employees of the Group involve the use of judgment and estimates. The fair values of share options have been estimated using key judgmental assumptions set out in note 35.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are researching, developing, manufacturing, testing, sales, and after-sale services for power tools, outdoor power equipment and related products. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major products					
– Sales of power tools	483,370	549,680	661,081	278,887	451,066
– Sales of outdoor power equipment	201,410	287,971	533,691	231,451	414,041
– Others	5,918	5,927	6,130	4,021	3,690
	690,698	843,578	1,200,902	514,359	868,797

The Group's revenue from contracts with customers were recognized at point in time for the Relevant Periods.

The Group's customer base is diversified and two, two, two, three, two customers with whom transactions have exceeded 10% of the Group's revenues for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. Details of concentrations of credit risk arising from the customers are set out in Note 37(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2018, 2019 and 2020 and June 30, 2021, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Power tools: sales of power tools and power tool accessories for consumer, professional and industrial users. The products are available under the FLEX, DEVON SKIL and X-TRON brands plus original design manufacturer ("ODM") customers.

- Outdoor power equipment: sales of outdoor tools and outdoor tool accessories for premium or professional and mass-market users. The products are available under the EGO and SKIL brands.

- Others: sales of parts and components to a home appliances business.

(i) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results attributable to each reportable segment on the following bases:

Revenue are allocated to the reportable segments with reference to sales generated by those segments.

The measure used for reporting segment profit is gross profit. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue generated by the segments in their operations.

Segment assets and liabilities are not regularly reported to the Group's executive directors and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for Relevant Periods is set out below.

	Reportable segments			
	Power tools	**Outdoor power equipment**	**Others**	**Total reportable segments**
	USD'000	*USD'000*	*USD'000*	*USD'000*
2018				
Revenue from external customers				
Point in time	483,370	201,410	5,918	690,698
Gross profit from external customers and reportable segment profit	118,997	55,266	1,262	175,525

	Reportable segments			
	Power tools	**Outdoor power equipment**	**Others**	**Total reportable segments**
	USD'000	*USD'000*	*USD'000*	*USD'000*
2019				
Revenue from external customers				
Point in time	549,680	287,971	5,927	843,578
Gross profit from external customers and reportable segment profit	165,565	88,752	936	255,253

	Reportable segments			
	Power tools	Outdoor power equipment	Others	Total reportable segments
	USD'000	*USD'000*	*USD'000*	*USD'000*
2020				
Revenue from external customers				
Point in time	661,081	533,691	6,130	1,200,902
Gross profit from external customers and reportable segment profit	192,030	175,503	1,179	368,712

	Reportable segments			
	Power tools	Outdoor power equipment	Others	Total reportable segments
	USD'000	*USD'000*	*USD'000*	*USD'000*
Six months ended June 30, 2021				
Revenue from external customers				
Point in time	451,066	414,041	3,690	868,797
Gross profit from external customers and reportable segment profit	120,445	130,274	390	251,109

	Reportable segments			
	Power tools	Outdoor power equipment	Others	Total reportable segments
	USD'000	*USD'000*	*USD'000*	*USD'000*
(unaudited)				
Six months ended June 30, 2020				
Revenue from external customers				
Point in time	278,887	231,451	4,021	514,359
Gross profit from external customers and reportable segment profit	77,874	68,997	787	147,658

(ii) Reconciliations of reportable segment gross (loss)/profit

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Reportable segment gross profit	175,525	255,253	368,712	147,658	251,109
Other revenue	3,515	3,838	5,801	2,791	2,081
Other net (loss)/income	(8,192)	943	(3,140)	(1,647)	19,754
Selling and distribution expenses	(100,527)	(128,083)	(179,447)	(73,411)	(96,418)
Administrative and other operating expenses	(45,378)	(48,932)	(82,843)	(25,280)	(32,614)
Research and development costs	(27,656)	(31,356)	(38,939)	(16,984)	(27,967)
Net finance costs	(17,164)	(19,754)	(17,357)	(8,070)	(7,895)
Share of profits of associates	4,287	9,206	6,724	155	2,801
Share of profits of a joint venture	1,176	1,233	–	–	–
Consolidated (loss)/profit before taxation	(14,414)	42,348	59,511	25,212	110,851

(iii) Geographic information

The following table sets out the geographic information analyses of the Group's revenue and specified non-current assets including investment property, property, plant and equipment, right-of-use assets and intangible assets ("specified non-current assets"). In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets have been based on the geographic location of the assets.

Revenue from external customers

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
North America	383,675	506,900	798,913	321,707	572,683
Europe	232,995	257,821	297,260	140,757	207,752
China	56,564	61,540	69,295	38,820	61,378
Rest of the World	17,464	17,317	35,434	13,075	26,984
	690,698	843,578	1,200,902	514,359	868,797

Specified non-current assets

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
North America	12,161	11,210	10,296	17,103
Europe	13,775	15,173	19,790	23,156
China	129,265	137,900	158,579	169,048
	155,201	164,283	188,665	209,307

5 Other revenue and other net (loss)/gain

(a) Other revenue

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Government grants *(Note i)*	855	888	3,650	1,719	1,027
Sale of scrap materials	596	935	1,058	617	878
Rental income	1,571	1,819	1,093	455	176
Others	493	196	–	–	–
	3,515	3,838	5,801	2,791	2,081

Note:

(i) During the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, the Group received unconditional government grants of USD855,000, USD888,000, USD3,650,000, USD1,719,000 and USD1,027,000, respectively, as rewards of the Group's contribution to technology innovation and regional economic development.

(b) Other net (loss)/gain

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Net foreign exchange gain/(loss)	2,617	466	(11,497)	(584)	(5,374)
Net (loss)/gain on disposal of properties, plants and equipment	(320)	(74)	(43)	(4)	(196)
Net realized and unrealized (losses)/gains on financial assets at FVPL	(83)	(41)	165	430	454
Net realized and unrealized (losses)/gains on derivative financial instruments	(10,419)	(810)	8,209	(1,501)	3,686
Loss on disposal of associates and a joint venture	–	–	(131)	–	(677)
(Loss)/gain on disposal of a subsidiary *(Note 25 (g))*	–	(4)	–	–	21,969
Gain on business combination *(Note 25 (f))*	–	1,326	–	–	–
Others	13	80	157	12	(108)
	(8,192)	943	(3,140)	(1,647)	19,754

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Interest income from bank deposits	(247)	(605)	(638)	(239)	(460)
Finance income	(247)	(605)	(638)	(239)	(460)
Interest on bank loans	16,789	19,748	17,392	8,008	8,235
Interest on lease liabilities	622	611	603	301	120
Finance costs	17,411	20,359	17,995	8,309	8,355
Net finance costs	17,164	19,754	17,357	8,070	7,895

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Salaries, wages and other benefits	97,578	106,264	130,788	65,394	73,911
Contributions to defined contribution retirement plans	22,025	23,215	21,782	10,891	14,209
Equity settled share-based payment expenses *(Note 35)*	–	–	21,077	–	–
Expenses recognized in respect of defined benefit retirement plans obligation *(Note 34(a))*	16	16	9	5	7
	119,619	129,495	173,656	76,290	88,127

(c) Other items

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Depreciation charge					
– owned properties, plants and equipment	19,279	17,416	17,858	8,799	10,467
– right-of-use assets	2,582	3,091	3,302	1,520	2,230
– investment property	214	206	206	100	37
Amortization of intangible assets	312	296	296	148	149
Research and development costs *(Note i)*	27,656	31,356	38,939	16,984	27,967
(Reversal)/Provision for impairment loss on trade and other receivables	(2,688)	1,825	450	607	(853)
Provision for write-down of inventories	1,369	2,930	696	2,486	2,996
Auditors' remuneration					
– audit services	284	357	388	40	266
– non-audit services	149	130	174	26	11
Listing expenses	–	–	272	–	2,122
Cost of inventories sold *(Note ii)*	515,528	591,201	832,230	369,116	617,870

Notes:

(i) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Current tax					
PRC Corporate Income Tax					
Provision for the year/period	256	787	1,101	574	5,025
(Over)/under-provision in respect of prior years	(29)	2	152	152	(56)
	227	789	1,253	726	4,969
Hong Kong Profits Tax					
Provision for the year/period	–	–	2,916	1,716	7,856
Tax jurisdictions outside PRC and Hong Kong					
Provision for the year/period	598	4,241	5,869	3,444	2,387
Deferred tax					
Origination and reversal of temporary differences *(Note 30(b))*	(1,782)	1,236	1,085	(1,165)	4,400
Total income tax (credit)/expense	(957)	6,266	11,123	4,721	19,612

Notes:

(i) Pursuant to the income tax rules and regulations of Hong Kong, the Company and the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021.

(ii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiary:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), Nanjing Chervon Industry Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2016 to 2019. Nanjing Chervon Industry Co., Ltd. renewed the qualification in 2019 and was entitled to a preferential income tax rate of 15% from 2019 to 2021.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC tax resident enterprises are levied withholding tax on dividends from their PRC resident investees for intra-group earnings accumulated beginning on January 1, 2008, at 10% (unless reduced by tax treaties or similar arrangements), respectively. Undistributed earnings generated prior to 2008 are exempt from such withholding tax.

Under the arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution). The Group met the beneficial owner requirements in 2015 and were entitled to a preferential rate of 5% since 2015.

(iii) Pursuant to the income tax rules and regulations of the United States, the Group's subsidiaries in the United States was liable to United States federal income tax at a rate of 21% and state income tax at a rate ranging from 0.75% to 9.99% during the Relevant Periods.

(iv) Pursuant to the income tax rules and regulations of the United Kingdom, the Group's subsidiary in the United Kingdom was liable to the United Kingdom corporation tax at a rate of 20% during the Relevant Periods.

(v) Pursuant to the income tax rules and regulations of Germany, Chervon GmbH, Flex Geschaftsfuhrungs GmbH, Flex Verwaltungs GmbH & Co.KG, Flex-Elektrowerkzeuge Gmb and EGO Europe GmbH were liable to German corporate tax at a rate between 22.825% and 26.825% determined by municipalities during the Relevant Periods.

(vi) Pursuant to the rules and regulations of the Australia, the Group's subsidiary in the Australia was liable to the Australia corporation tax at a rate of 27.5% during the Relevant Periods.

(vii) Pursuant to the rules and regulations of the Canada, the Group's subsidiary in the Canada was liable to the Canada corporation tax at a rate of 26.5% during the Relevant Periods.

(viii) Pursuant to the rules and regulations of the Netherlands, the Group's subsidiaries in the Netherlands was liable to the Netherlands corporation tax at a rate of 25% during the Relevant Periods.

(ix) Pursuant to the rules and regulations of the Czech, the Group's subsidiary in the Czech was liable to the Czech corporation tax at a rate of 19% during the Relevant Periods.

(x) Pursuant to the rules and regulations of the Belgium, the Group's subsidiary in the Belgium was liable to the Belgium corporation tax at a rate of 25% during the Relevant Periods.

(xi) Pursuant to the rules and regulations of the Italia, the Group's subsidiary in the Italia was liable to the Italia corporation tax at a rate of 24% during the Relevant Periods.

(xii) Pursuant to the rules and regulations of the France, the Group's subsidiary in the France was liable to the France corporation tax at a rate of 28% during the Relevant Periods.

(xiii) Pursuant to the Vietnam Investment Law and the approval of Industry Zone Committee of Tinh Binh Duong, the Group's subsidiary in the Vietnam was entitled to a tax exemption for 2020 and 2021 and a preferential income tax rate of 10% from 2022 to 2025.

(b) Reconciliation between (loss)/profit before taxation and tax expense and at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
(Loss)/profit before taxation	(14,414)	42,348	59,511	25,212	110,851
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(1,713)	9,198	12,834	5,402	23,545
Effect of PRC tax concessions obtained	(1,119)	(1,069)	(729)	(80)	(2,782)
Tax effect of non-deductible expenses *(Note)*	1,761	1,940	3,098	1,576	1,695
Tax effect of non-taxable income	(471)	(3,367)	(4,231)	(1,664)	(3,493)
Tax effect of tax losses not recognized	2,491	1,645	1,916	858	1,167
Tax effect of bonus deduction for research and development costs	(2,221)	(2,944)	(3,420)	(1,790)	(2,703)
Provision of withholding tax on undistributed profits	344	861	1,503	267	2,239
(Over)/under-provision in prior years	(29)	2	152	152	(56)
Income tax (credit)/expense	(957)	6,266	11,123	4,721	19,612

Note:

Tax effect of non-deductible expenses mainly represented tax effect of equity settled share-based payment expenses, expenses incurred by entities without assessable profits and other non-deductible expenses.

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	2018 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	24	187	226	–	437	–	437
Zhang Tong	24	209	272	–	505	–	505
Ke Zuqian	24	181	226	–	431	–	431
Xiao Jun	24	151	57	15	247	–	247
Cheng Hong Kei	24	–	–	–	24	–	24
Lo Wing Yan William	24	–	–	–	24	–	24
	144	728	781	15	1,668	–	1,668

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	2019 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	12	174	218	–	404	–	404
Zhang Tong	12	201	290	–	503	–	503
Ke Zuqian	12	174	261	–	447	–	447
Xiao Jun	12	139	128	13	292	–	292
Cheng Hong Kei	12	–	–	–	12	–	12
Lo Wing Yan William(1)	12	–	–	–	12	–	12
	72	688	897	13	1,670	–	1,670

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	2020 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	12	152	316	–	480	–	480
Zhang Tong	12	196	382	–	590	–	590
Ke Zuqian	12	170	295	1	478	–	478
Xiao Jun	12	221	139	8	380	–	380
Cheng Hong Kei	12	–	–	–	12	–	12
	60	739	1,132	9	1,940	–	1,940

Note:

(1) Mr. Lo Wing Yan William was our former director from January 2010 to May 2019, who resigned from directorship with effect from May 21, 2019. The reason for the resignation of Mr. Lo Wing Yan William as a director of our Company is that pursuant to our former articles of association our Board will voluntarily resign and be re-elected once every two years and during that time Mr. Lo Wing Yan William decided not to pursue the re-election due to (i) his ordinary residence in Hong Kong which limits his access to our business in the PRC; and (ii) his shift of focus to other commitments.

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Six months ended June 30, 2020 Total
	USD'000 (unaudited)	*USD'000 (unaudited)*	*USD'000 (unaudited)*	*USD'000 (unaudited)*	*USD'000 (unaudited)*	*USD'000 (unaudited)*	*USD'000 (unaudited)*
Executive directors							
Pan Longquan	6	64	68	–	138	–	138
Zhang Tong	6	94	68	–	168	–	168
Ke Zuqian	6	81	68	–	155	–	155
Xiao Jun	6	139	–	4	149	–	149
Cheng Hong Kei	6	–	–	–	6	–	6
	30	378	204	4	616	–	616

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Six months ended June 30, 2021 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	–	93	74	–	167	–	167
Zhang Tong	–	100	74	–	174	–	174
Ke Zuqian	–	93	74	–	167	–	167
Xiao Jun	–	83	–	8	91	–	91
Cheng Hong Kei	–	–	–	–	–	–	–
	–	369	222	8	599	–	599

All the executive directors are key management personnel of the Group during the Relevant Periods and their remuneration disclosed above include those for services rendered by them as key management personnel.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two, three, nil, nil and nil is director during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Salaries, allowances and benefits in kind	1,319	1,220	1,109	848	820
Discretionary bonuses	856	1,196	898	380	378
Retirement scheme contributions	97	50	75	126	144
Share-based payments	–	–	2,833	–	–
	2,272	2,466	4,915	1,354	1,342

The emoluments of the five, five, five, five and five individuals with the highest emoluments during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* *(unaudited)*	*Number of individuals*
USD nil to USD500,000	4	4	–	5	5
USD500,001 to USD1,000,000	1	1	2	–	–
USD1,000,001 to USD1,500,000	–	–	3	–	–

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Exchange differences on translation of financial statements	Remeasurement of net defined benefit liability	Total
	USD'000	*USD'000*	*USD'000*
For the year ended December 31, 2018			
Before-tax amount	(4,843)	(21)	(4,864)
Tax benefit	–	2	2
Net-of-tax amount	(4,843)	(19)	(4,862)
For the year ended December 31, 2019			
Before-tax amount	(1,258)	(91)	(1,349)
Tax benefit	–	5	5
Net-of-tax amount	(1,258)	(86)	(1,344)
For the year ended December 31, 2020			
Before-tax amount	17,451	(43)	17,408
Tax benefit	–	4	4
Net-of-tax amount	17,451	(39)	17,412
For the six months ended June 30, 2021			
Before-tax amount	818	(25)	793
Tax expense	–	–	–
Net-of-tax amount	818	(25)	793
For the six months ended June 30, 2020 (unaudited)			
Before-tax amount	(5,661)	(20)	(5,681)
Tax expense	–	–	–
Net-of-tax amount	(5,661)	(20)	(5,681)

11 Earnings per share

(a) *Basic (loss)/earnings per share*

The calculation of basic earnings per share is based on the losses attributable to equity shareholders of the Company of USD14,084,000 and profit attributable to equity shareholders of the Company of USD33,976,000, USD44,359,000, USD18,062,000 and USD86,062,000 for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(unaudited)	
Ordinary shares at the beginning of the year/period	390,000,000	390,000,000	390,000,000	390,000,000	390,000,000
Effect of right issues (Note)	5,536,504	5,536,504	5,536,504	5,536,504	5,716,408
Effect of issuance of ordinary shares under the Share Incentive Scheme (Note 35)	–	–	–	–	6,289,103
Weighted average number of ordinary shares at the end of the year/period	395,536,504	395,536,504	395,536,504	395,536,504	402,005,511

Note: Pursuant to the resolution passed by the board of directors of the Company on March 17, 2021, the Company issued and allotted a total of 5,844,911 shares by way of rights issue at the subscription price of HKD1.00 to the shareholders in proportion to their shareholding. The calculations of the basic earnings per share were adjusted retrospectively for the Relevant Periods to include the effect of the number of shares issues as if such shares were issued and outstanding for all periods presented.

(b) Diluted (loss)/earnings per share

The calculation of diluted earnings per share is based on the losses attributable to equity shareholders of the Company of USD14,084,000 and profit attributable to equity shareholders of the Company of USD33,976,000, USD44,359,000, USD18,062,000 and USD86,062,000 for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(unaudited)	
Weighted average number of ordinary shares at the end of the year/period	395,536,504	395,536,504	395,536,504	395,536,504	402,005,511
Effect of equity settled share-based transactions (Note 35)	–	–	24,072	–	4,051,515
Weighted average number of ordinary shares (diluted) at the end of the year/period	395,536,504	395,536,504	395,560,576	395,536,504	406,057,026

12 Properties, plants and equipment

(a) Reconciliation of carrying amount

	Plant and buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Cost:						
At January 1, 2018	101,822	70,438	23,219	2,193	648	198,320
Additions	426	15,227	3,044	84	7,511	26,292
Transfers	311	6	210	–	(527)	–
Disposals	(342)	(1,383)	(1,067)	(124)	–	(2,916)
Exchange adjustment	(4,686)	(3,306)	(1,200)	(104)	(254)	(9,550)
At December 31, 2018 and January 1, 2019	97,531	80,982	24,206	2,049	7,378	212,146
Additions	222	17,544	5,513	771	4,678	28,728
Transfers	9,325	349	375	–	(10,049)	–
Acquisition of a subsidiary	–	3,393	1,164	230	–	4,787
Disposals	(2)	(2,820)	(305)	(438)	–	(3,565)
Disposal of a subsidiary	–	–	(2)	(73)	–	(75)
Exchange adjustment	(1,681)	(1,544)	(333)	(39)	(49)	(3,646)
At December 31, 2019 and January 1, 2020	105,395	97,904	30,618	2,500	1,958	238,375
Additions	389	14,327	6,041	263	10,028	31,048
Transfers	247	346	1,133	–	(1,726)	–
Disposals	–	(4,947)	(2,225)	(33)	–	(7,205)
Exchange adjustment	8,433	8,595	2,099	181	587	19,895
At December 31, 2020 and January 1, 2021	114,464	116,225	37,666	2,911	10,847	282,113
Additions	16	10,297	4,351	326	17,660	32,650
Transfers	–	–	1,115	–	(1,115)	–
Disposals	–	(307)	(680)	(2)	–	(989)
Disposal of a subsidiary	(373)	–	(35)	–	–	(408)
Exchange adjustment	518	(412)	(71)	26	234	295
At June 30, 2021	114,625	125,803	42,346	3,261	27,626	313,661
Accumulated depreciation:						
At January 1, 2018	(33,275)	(41,665)	(13,700)	(1,532)	–	(90,172)
Charge for the year	(4,387)	(12,534)	(2,199)	(159)	–	(19,279)
Written back on disposals	106	1,336	565	112	–	2,119
Exchange adjustment	1,723	2,082	826	75	–	4,706
At December 31, 2018 and January 1, 2019	(35,833)	(50,781)	(14,508)	(1,504)	–	(102,626)

	Plant and buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Charge for the year	(4,490)	(9,779)	(2,907)	(240)	–	(17,416)
Acquisition of a subsidiary (Note 25(f))	–	(2,387)	(927)	(199)	–	(3,513)
Written back on disposals	–	2,614	267	269	–	3,150
Disposal of a subsidiary	–	–	–	66	–	66
Exchange adjustment	677	1,026	256	25	–	1,984
At December 31, 2019 and January 1, 2020	(39,646)	(59,307)	(17,819)	(1,583)	–	(118,355)
Charge for the year	(4,558)	(9,891)	(3,181)	(228)	–	(17,858)
Written back on disposals	–	4,606	1,982	32	–	6,620
Exchange adjustment	(3,292)	(4,958)	(1,130)	(120)	–	(9,500)
At December 31, 2020 and January 1, 2021	(47,496)	(69,550)	(20,148)	(1,899)	–	(139,093)
Charge for the six-month period	(2,407)	(5,717)	(2,219)	(124)	–	(10,467)
Written back on disposals	–	271	606	2	–	879
Disposal of a subsidiary	258	–	32	–	–	290
Exchange adjustment	(53)	374	80	(17)	–	384
At June 30, 2021	(49,698)	(74,622)	(21,649)	(2,038)	–	(148,007)
Net book value:						
At December 31, 2018	61,698	30,201	9,698	545	7,378	109,520
At December 31, 2019	65,749	38,597	12,799	917	1,958	120,020
At December 31, 2020	66,968	46,675	17,518	1,012	10,847	143,020
At June 30, 2021	64,927	51,181	20,697	1,223	27,626	165,654

Note: Certain properties, plants and equipment of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Plant and buildings	42,369	38,512	44,724	43,003

13 Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
At January 1, 2018	17,874	31,514	49,388
Additions	1,638	–	1,638
Exchange adjustment	(136)	(1,631)	(1,767)
At December 31, 2018 and January 1, 2019	19,376	29,883	49,259
Additions	2,686	–	2,686
Disposals	(246)	–	(246)
Exchange adjustment	(70)	(484)	(554)
At December 31, 2019 and January 1, 2020	21,746	29,399	51,145
Additions	3,028	–	3,028
Disposals	(798)	–	(798)
Exchange adjustment	465	2,033	2,498
At December 31, 2020 and January 1, 2021	24,441	31,432	55,873
Additions	1,410	–	1,410
Disposals	(110)	–	(110)
Exchange adjustment	(58)	315	257
At June 30, 2021	25,683	31,747	57,430
Accumulated depreciation:			
At January 1, 2018	(2,278)	(2,917)	(5,195)
Charge for the year	(1,964)	(618)	(2,582)
Exchange adjustment	66	172	238
At December 31, 2018 and January 1, 2019	(4,176)	(3,363)	(7,539)
Charge for the year	(2,496)	(595)	(3,091)
Written back on disposals	246	–	246
Exchange adjustment	7	61	68
At December 31, 2019 and January 1, 2020	(6,419)	(3,897)	(10,316)
Charge for the year	(2,707)	(595)	(3,302)
Written back on disposals	798	–	798
Exchange adjustment	(121)	(303)	(424)
At December 31, 2020 and January 1, 2021	(8,449)	(4,795)	(13,244)
Charge for the six-month period	(1,913)	(317)	(2,230)
Written back on disposals	110	–	110
Exchange adjustment	30	(48)	(18)
At June 30, 2021	(10,222)	(5,160)	(15,382)

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
Net book value:			
At December 31, 2018	15,200	26,520	41,720
At December 31, 2019	15,327	25,502	40,829
At December 31, 2020	15,992	26,637	42,629
At June 30, 2021	15,461	26,587	42,048

Notes:

(i) The Group obtains the right-of-use certain land in the PRC under several operating lease agreements of 50 years. As at December 31, 2018, 2019 and 2020 and June 30, 2021, the carrying amounts of leasehold land held for own use were USD26,520,000, USD25,502,000, USD26,637,000 and USD26,587,000, respectively.

(ii) The Group has obtained the right to use certain office and warehouse properties through tenancy agreements during the Relevant Periods. The leases typically run for a period of 1 to 13 years.

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	At December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
– Leasehold land	618	595	595	292	317
– Plant and buildings	1,964	2,496	2,707	1,228	1,913
	2,582	3,091	3,302	1,520	2,230
Interest on lease liabilities (Note 6(a))	622	611	603	301	120
Expense relating to short-term leases	846	922	1,022	458	928

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 25(e) and 27, respectively.

Certain right-of-use assets of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Leasehold land	25,375	24,409	25,503	25,458

14 Investment Properties

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
At January 1, 2018	4,600	526	5,126
Exchange adjustment	(221)	(26)	(247)
At December 31, 2018 and January 1, 2019	4,379	500	4,879
Exchange adjustment	(71)	(8)	(79)
At December 31, 2019 and January 1, 2020	4,308	492	4,800
Exchange adjustment	298	34	332
At December 31, 2020 and January 1, 2021	4,606	526	5,132
Disposal of a subsidiary	(4,622)	(529)	(5,151)
Exchange adjustment	16	3	19
At June 30, 2021	–	–	–
Accumulated amortization:			
At January 1, 2018	(3,021)	(192)	(3,213)
Charge for the year	(204)	(10)	(214)
Exchange adjustment	152	10	162
At December 31, 2018 and January 1, 2019	(3,073)	(192)	(3,265)
Charge for the year	(196)	(10)	(206)
Exchange adjustment	52	3	55

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
At December 31, 2019 and January 1, 2020	(3,217)	(199)	(3,416)
Charge for the year	(196)	(10)	(206)
Exchange adjustment	(234)	(14)	(248)
At December 31, 2020 and January 1, 2021	(3,647)	(223)	(3,870)
Charge for the six-month period	(35)	(2)	(37)
Disposal of a subsidiary	3,694	226	3,920
Exchange adjustment	(12)	(1)	(13)
At June 30, 2021	–	–	–
Net book value:			
At December 31, 2018	1,306	308	1,614
At December 31, 2019	1,091	293	1,384
At December 31, 2020	959	303	1,262
At June 30, 2021	–	–	–

The Group leases out investment property under operating lease. The lease runs for an initial period of 10 years, with an option to renew the lease after that date at which time all terms are renegotiated.

As at December 31, 2018, 2019 and 2020 and June 30, 2021, certain investment properties of USD nil, USD1,091,000, USD959,000, and USD nil were pledged as securities for bank loans of the Group, respectively (see Note 26).

The fair value of investment property is valued by an independent third-party valuer to be USD22,713,000, USD22,151,000 and USD23,699,000 as at December 31, 2018, 2019 and 2020 respectively.

The Group's investment property is located in the PRC.

The fair value of completed investment properties is determined by making reference to the market transactions, as the case may be, of comparable properties.

15 Intangible assets

	Patents	Trademarks	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
At January 1, 2018,	901	2,172	3,073
Exchange adjustment	(5)	–	(5)
At December 31, 2018 and January 1, 2019	896	2,172	3,068
Exchange adjustment	(2)	–	(2)
At December 31, 2019 and January 1, 2020	894	2,172	3,066
Exchange adjustment	8	–	8
At December 31, 2020 and January 1, 2021	902	2,172	3,074
Exchange adjustment	(1)	–	(1)
At June 30, 2021	901	2,172	3,073
Accumulated amortization:			
At January 1, 2018	(177)	(237)	(414)
Charge for the year	(95)	(217)	(312)
Exchange adjustment	5	–	5
At December 31, 2018 and January 1, 2019	(267)	(454)	(721)
Charge for the year	(79)	(217)	(296)
Exchange adjustment	1	–	1
At December 31, 2019 and January 1, 2020	(345)	(671)	(1,016)
Charge for the year	(79)	(217)	(296)
Exchange adjustment	(8)	–	(8)
At December 31, 2020 and January 1, 2021	(432)	(888)	(1,320)
Charge for the period	(40)	(109)	(149)
Exchange adjustment	1	–	1
At June 30, 2021	(471)	(997)	(1,468)
Net book value:			
At December 31, 2018	629	1,718	2,347
At December 31, 2019	549	1,501	2,050
At December 31, 2020	470	1,284	1,754
At June 30, 2021	430	1,175	1,605

Note: Certain intangible assets of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Intangible assets	2,347	2,050	1,754	1,605

16 Interest in subsidiaries

As at June 30, 2021, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	*Held by a subsidiary*		
Chervon (China) Investment Co., Ltd (泉峰(中國)投資有限公司) *(Notes (a) and (c))*	The PRC August 2, 2016	United States Dollar ("USD")100,000,000	100%	–	Investment holding	Nanjing Bo Wen Accounting Firm (南京博文會計師事務所有限公司)/KPMG Huazhen LLP Nanjing Branch
Nanjing Chervon Industry Co., Ltd. (南京德朔實業有限公司) *(Notes (a) and (c))*	The PRC September 26, 1997	USD144,073,464	100%	–	Production of tools, research and development, sales	Deloitte LLP Nanjing Branch/KPMG Huazhen LLP Nanjing Branch
Chervon (China) Trading Co., Ltd. (泉峰(中國)貿易有限公司) *(Notes (a) and (c))*	The PRC March 29, 2006	USD6,200,000	–	100%	Sales of power tools and outdoor power equipment	Deloitte LLP Nanjing Branch/KPMG Huazhen LLP Nanjing Branch
Chervon (China) Tools Sales Co., Ltd. (泉峰(中國)工具銷售有限公司) *(Notes (a) and (c))*	The PRC June 28, 2010	Renminbi ("RMB")66,506,700	–	100%	Sales of power tools in the PRC	Deloitte LLP Nanjing Branch/KPMG Huazhen LLP Nanjing Branch
Nanjing Bovon Power Tools Co., Ltd. (南京搏峰電動工具有限公司) *(Notes (a) and (d))*	The PRC January 30, 2007	USD10,000,000	50%	50%	Manufacturing, Research and development and sales of power tools and outdoor power equipment	Beijing Zhong Cai Guo Xin Accounting Firm (北京中財國信會計師事務所有限公司)/KPMG Huazhen LLP Nanjing Branch
Chervon (HK) Ltd. *(Note (e))*	Hong Kong November 8, 2010	Hong Kong Dollar ("HKD")5,000,000	100%	–	Trading and financial management	Good Faith CPA Firm Company Limited/KPMG
Chervon Overseas Holdings Co., Ltd. *(Note (e))*	Hong Kong August 6, 2013	USD7,148,520	100%	–	Investment holding	Good Faith CPA Firm Company Limited/KPMG
Chervon Industry (Vietnam) Company Limited *(Note (f))*	Vietnam January 21, 2020	Vietnamese Dongs ("VND")46,600,000,000	–	100%	Production of gardening tools	KMF Auditing Company Limited
Chervon Canada Inc. *(Note (g))*	Canada October 31, 2016	CAD1,500,001	–	100%	Sales of power tools and outdoor power equipment	Adams&Miles LLP
Chervon Australia PTY Limited *(Note (b))*	Australia July 31, 2016	AUD1,500,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	*Held by a subsidiary*		
Chervon North America Inc. *(Note (h))*	United States February 25, 2005	USD300,000	–	100%	Research in the North American market, product design, sales and services	Hungerford Nichols CPA
Flex North America Inc. *(Note (i))*	United States December 19, 2005	USD1	–	100%	Sales of power tools and outdoor power equipment	Steve Ramaekers CPA LLC
Flex Geschaftsfuhrungs GmbH *(Note (b))*	Germany May 3, 2013	Euro("EUR")25,000	–	100%	Investment holding	Not applicable
Flex Verwaltungs GmbH & Co., KG *(Note (j))*	Germany May 22, 2013	EUR19,000,500	–	100%	Production of FLEX brand, design, sales and services	Ebner Stolz GmbH & Co.KG
Flex-Elektrowerkzeuge GmbH *(Note (j))*	Germany November 27, 1980	EUR3,580,100	–	100%	Production of FLEX brand, design, sales and services	Ebner Stolz GmbH & Co.KG
Chervon GmbH *(Note (b))*	Germany July 1, 2016	EUR25,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable
EGO Europe GmbH *(Note (k))*	Germany November 20, 2015	EUR50,000	–	100%	Operation of EGO brands, sales and services	Ebner Stolz GmbH & Co. KG
Flex Elektronáradí, s.r.o *(Note (b))*	Czech June 18, 2008	CZK500,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Flex Italia S.r.l. *(Note (b))*	Italy July 11, 2012	EUR50,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Flex Electroportatif Machines ET Accessoires *(Note (j))*	France July 11, 2012	EUR10,000	–	100%	Sales of power tools and outdoor power equipment	Novances Nexia
FLEX POWER TOOLS BV *(Note (j))*	Belgium May 15, 2005	EUR95,167,585	–	100%	Sales of power tools and outdoor power equipment	VGD Bedrijfsrevisoren CVBA
Flex Power Tools B. V. *(Note (b))*	Netherlands January 24, 2012	EUR31,800	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Skil B.V. *(Note (l))*	Netherlands August 12, 2016	EUR50,000	–	100%	Do-It-Yourself business design in Europe operations and sales	Not applicable
Flex Power Tools Ltd. *(Note (b))*	United Kingdom November 9, 2020	GBP1	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Chervon Europe Limited *(Note (m))*	United Kingdom June 7, 2007	GBP1	–	100%	Sales of power tools and outdoor power equipment	Masons Statutory Auditors
Chervon NZ Subsidiary Limited *(Note (n))*	New Zealand May 3, 2021	New Zealand Dollar ("NZD")1,500,100	–	100%	Sales of power tools and outdoor power equipment	Not applicable

Notes:

(a) These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

(b) No audited financial statements were prepared by those companies during the Relevant Periods as they are not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(c) The audited financial statements of these companies for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.

(d) The audited financial statements of the company for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Accounting Regulations for Business Enterprises applicable to the enterprises in the PRC.

(e) The audited financial statements of these companies for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA.

(f) The audited financial statements of these companies for the year ended December 31, 2020 were prepared in accordance with Vietnamese Accounting Standards. No statutory financial statements were prepared by this company for the years ended December 31, 2018 and 2019, since this company was established in 2020.

(g) The audited financial statements of the company for the years ended December 31, 2018 and 2019 were prepared in accordance with the Accounting Standards for private enterprises in the Canada. As at the date of this report, the statutory financial statements for the year ended December 31, 2020 has not been completed.

(h) The audited financial statements of the company for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the U.S. generally accepted accounting principles.

(i) The audited financial statements of the company for the years ended December 31, 2018 and 2019 were prepared in accordance with the U.S. generally accepted accounting principles. No audited statutory financial statements were prepared for the year ended December 31, 2020, since the company was in the process of liquidation in 2020.

(j) The audited financial statements of these companies for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the accounting principles generally accepted in the relevant judications.

(k) No audited financial statements were prepared by the company for the years ended December 31, 2018 and 2019 as the company was not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The audited financial statements of the company for the year ended December 31, 2020 were prepared in accordance with the Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany.

(l) No audited financial statements were prepared by the company for the year ended December 31, 2018. As at the date of the report, the statutory financial statements for the years ended December 31, 2019 and 2020 have not been completed.

(m) The audited financial statements of the company for the years ended December 31, 2018 and 2019 were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). As at the date of this report, the audit of the statutory financial statements for the year ended December 31, 2020 has not been completed.

(n) No audited financial statements were prepared by this company for the years ended December 31, 2018, 2019 and 2020, since this company was established in 2021.

All companies now comprising the Group have adopted December 31 as their financial year end date.

During the Relevant Periods, the Group's non-controlling interests are diverse among the subsidiaries. None of the Group's subsidiaries has a material non-controlling interest.

17 Interest in associates

The following list contains the particulars of the Group's associates, except Nanjing Chervon Auto Precision Technology Co., Ltd., all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest as at June 30, 2021			Principal activities
				Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
Nanjing Chervon Auto Precision Technology Co., Ltd. (南京泉峰汽車精密技術股份有限公司) ("Chervon Auto Precision Technology") *(Note i)*	Incorporated	The PRC	Renminbi("RMB") 201,415,700	23.12%	–	23.12%	Manufacturing, Research and development and sales of auto parts
Nanjing Jiangning Lianshang Investment Co., Ltd. (南京江寧聯商股權投資有限公司) *(Note ii)*	Incorporated	The PRC	RMB120,000,000	–	–	–	Investment
Nanjing Suquan Investment Co., Ltd. (南京蘇泉投資管理有限公司) *(Note iii)*	Incorporated	The PRC	RMB58,000,000	–	–	–	Investment
Nanjing Yaoquan Investment Management Co., Ltd. (南京耀泉投資管理有限公司) *(Note iii)*	Incorporated	The PRC	RMB10,000,000	–	–	–	Investment

Notes:

(i) Nanjing Chervon Auto Precision Technology Co., Ltd. was established in the PRC with limited liability on March 19, 2012 and is principally engaged in the production, sales and research and development of automotive power systems and relevant components. Its shares are currently listed on the Shanghai Stock Exchange (stock code: 603982.SH). In September 2016, the Group acquired 38.8% of the equity interest in Chervon Auto Precision Technology from Nanjing Chervon Industry Co., Ltd. of USD19,400,000 (RMB129,776,300 equivalent). In November 2016, Chervon Auto Precision Technology reduced its registered capital and the Group reduced its investment to RMB46,560,000 on a pro rata basis. In March 2017, the proportion of the Group's interest in Chervon Auto Precision Technology has been diluted to 31.04% due to the new financing obtained by Chervon Auto Precision Technology and further diluted to 23.28% in April 2019 due to the listing of Chervon Auto Precision Technology on Shanghai Stock Exchange. In June 2020, the proportion of the Group's interest in Chervon Auto Precision Technology has been diluted to 23.10% due to the new issuance of shares and increased to 23.12% due to the repurchase of the shares by Chervon Auto Precision Technology in the first half of 2021.

(ii) Nanjing Jiangning Lianshang Investment Co., Ltd. (南京江寧聯商股權投資有限公司) was established in the PRC with limited liability on March 31, 2014 with a registered capital of RMB120 million for the purpose of a proposed investment project in Nanjing. The Group acquired 31.25% of the equity interest in Nanjing Jiangning Lianshang Investment Co., Ltd. in 2014 through capital injection of RMB50,000,000 and the proportion of the Group's interest increased to 41.67% in 2019 due to the withdrawal share capital of a shareholder. On July 13, 2020, the board of Nanjing Jiangning Lianshang Investment Co., Ltd. approved a plan to liquidate of itself. On October 31, 2020, the Group derecognized the associate after the completion of deregistration.

(iii) Nanjing Suquan Investment Co., Ltd. was established in the PRC with the limited liability on February 5, 2008 with a registered capital of RMB58 million. It is an investment holding company and does not have its own business operations. Nanjing Yaoquan Investment Management Co., Ltd. which was a wholly owned subsidiary of Nanjing Suquan Investment Co., Ltd., was established in the PRC with limited liability on August 12, 2008 with a registered capital of RMB10 million and is engaged in private equity fund management businesses.

Nanjing Suquan Investment Co., Ltd., was the subsidiary of the Company before December 28, 2018. On December 28, 2018, the Group entered into an agreement with Mr. Xiao Jun, a minority shareholder of Nanjing Suquan Investment Co., Ltd. Pursuant to the agreement, the Group agreed to dispose its 61% equity interest in Nanjing Suquan Investment Co., Ltd. to Mr. Xiao Jun at a cash consideration of RMB10,921,300. Upon the completion of the Group's disposal on March 12, 2019, the Group's interest in Nanjing Suquan Investment Co., Ltd. and Nanjing Yaoquan Investment Management Co., Ltd. has been reduced to 24.88% and the aforementioned entities ceased to be subsidiaries of the Group but became associates of the Group.

On February 24, 2021, the Group entered into an agreement with Chervon (Nanjing) Management Services Co., Ltd. (泉峰(南京)管理服務有限公司) ("Chervon Management Services"), which is a related party wholly owned by Mr. Pan Longquan. Pursuant to the agreement, the Group agreed to transfer 19.02% equity interest in Nanjing Suquan Investment Co., Ltd. to Chervon Management Services for a cash consideration of RMB8,373,300 (USD1,287,000). The consideration was determined with reference to the valuation of Nanjing Suquan Investment Co., Ltd. performed by independent valuation firm. The remaining 5.86% equity interest in Nanjing Suquan Investment Co., Ltd., which was held by Nanjing Chervon International Trading Co., Ltd., was also disposed along with the disposal of Nanjing Chervon International Trading Co., Ltd. on the same date (see Note 25(g)).

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associate, Chervon Auto Precision Technology, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	December 31, 2018	December 31, 2019	December 31, 2020	June 30, 2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Gross amounts of Chervon Auto Precision Technology				
Current assets	120,977	152,453	177,239	188,027
Non-current assets	155,034	151,207	164,743	203,849
Current liabilities	(94,833)	(65,683)	(99,448)	(134,103)
Non-current liabilities	(46,187)	(28,027)	(3,488)	(5,748)
Equity	(134,991)	(209,950)	(239,046)	(252,025)
Revenue	181,235	181,382	201,006	124,698
Profit from continuing operations	13,813	12,458	17,544	12,115
Other comprehensive income	–	(20)	(66)	891
Total comprehensive income	13,813	12,438	17,478	13,006
Dividend received	–	–	1,005	540
Reconciled to the Group's interest in Chervon Auto Precision Technology				
Gross amounts of net assets of Chervon Auto Precision Technology	134,991	209,950	239,046	252,025
Group's effective interest	31.04%	23.28%	23.10%	23.12%
Group's share of net assets of Chervon Auto Precision Technology	41,901	48,876	55,220	58,268
Carrying amount of in the consolidated financial statements	41,901	48,876	55,220	58,268
Quoted market price	N/A	125,006	143,643	121,371

	December 31, 2018	December 31, 2019	December 31, 2020	June 30, 2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Group's share of Chervon Auto Precision Technology				
Profit from continuing operations	4,288	2,900	4,053	2,801
Other comprehensive income	–	(5)	(15)	206
Total comprehensive income	4,288	2,895	4,038	3,007

The Group assesses whether this is any objective evidence that its interest in the associates are impaired at the end of each reporting period by considering the associates' business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market, economic or legal environment. Based on the assessment above, the Group concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interest in associates is considered necessary to be recognized in the consolidated statements of profit or loss.

Aggregate information of associates that are not individually material:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	7,168	9,135	1,981	–

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Aggregate amounts of the Group's share of those associates'					
(Loss)/Profit from continuing operations	(1)	1,461	530	(208)	–
Other comprehensive income	–	–	–	–	–
Total comprehensive income	(1)	1,461	530	(208)	–

18 Interest in a joint venture

Details of the Group's interest in the joint venture which is accounted for using equity method in the consolidated financial statements are set out below:

Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activities
				Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
Nanjing Bovon Power Tools Co., Ltd. (南京搏峰電動工具有限公司)	Incorporated	The PRC	USD10,000,000	50%	50%	–	Manufacturing, Research and development and sales of power tools and outdoor power equipment

In January 2007, the Group, Bosch (China) Investment Ltd. and Scintilla A.G. established Nanjing Bovon Power Tools Co., Ltd. ("Nanjing Bovon") by capital contribution with the interest of 50%, 40% and 10%, respectively.

In September 2019, the Group signed an agreement to acquire 40% and 10% equity interest in Nanjing Bovon at consideration of RMB32,000,000 (USD4,642,000 equivalent) and RMB8,000,000 (USD1,160,000 equivalent) from Bosch (China) Investment Ltd. and Scintilla A.G., respectively. Upon the completion of share transfer on December 6, 2019, Nanjing Bovon became a subsidiary of the Group.

Nanjing Bovon is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of Nanjing Bovon, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

	December 31, 2018
	USD'000
Gross amounts of Nanjing Bovon's	
Current assets	20,767
Non-current assets	1,467
Current liabilities	(8,505)
Equity	(13,729)
Included in the above assets and liabilities	
Cash	9,247
Revenue	49,227

	December 31, 2018
	USD'000
Profit from continuing operations	2,352
Other comprehensive income	–
Total comprehensive income	2,352
Dividend received	1,018
Included in the above profit:	
Depreciation and amortisation	290
Interest income	60
Interest expense	–
Income tax expense	32
Reconciled to the Group's interest in Nanjing Bovon	
Gross amounts of net assets of Nanjing Bovon	13,729
Group's effective interest	50%
Group's share of net assets of Nanjing Bovon	6,865
Carrying amount of in the consolidated financial statements	6,865

19 Loans to a subsidiary

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Flex Verwaltungs GmbH & Co., KG	2,296	–	–	–

As at December 31, 2018, the Company's unsecured loan to Flex Verwaltungs GmbH & Co., KG was subject to interest rates at 2.5% per annum.

20 Financial assets at fair value through profit or loss

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets at FVPL – non-current				
– Insurance product	5,482	5,663	5,844	5,938
– Unlisted units in investment funds	15,236	11,604	5	–
	20,718	17,267	5,849	5,938

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets at FVPL – current				
– Structured deposits and wealth management products	2,798	3,584	5,372	2,785
– Trading securities	9,582	11	–	–
	12,380	3,595	5,372	2,785
	33,098	20,862	11,221	8,723

The Group's non-current balances of financial assets at FVPL represent a life insurance product issued by an independent third-party insurance company and units in investment funds incorporated in the PRC which are primarily invested in the manufacturing, healthcare and new energy sectors.

The Group's current balances of financial assets at FVPL mainly represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return which will be paid together with the principal on the maturity date and trading securities which are the Group's portfolio of listed equity securities in the capital markets of the PRC held for trading purposes.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 37(e).

21 Derivative financial instruments

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Assets				
– Foreign currency forward contracts *(Note i)*	461	938	5,697	3,039
– Foreign currency option contracts *(Note i)*	–	18	130	68
– Interest rate swap contracts *(Note ii)*	20	–	–	–
	481	956	5,827	3,107

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Liabilities				
– Foreign currency forward contracts *(Note i)*	2,842	1,153	192	477
– Foreign currency option contracts *(Note i)*	746	141	97	141
– Interest rate swap contracts *(Note ii)*	39	–	–	–
– Copper commodity swap contracts *(Note iii)*	67	–	–	–
	3,694	1,294	289	618

Notes:

(i) The Group entered into several foreign currency forward contracts and foreign currency option contracts with certain banks to mitigate the currency risk arising from certain of its bank loans and receivables denominated in USD and EUR.

(ii) The Group entered into several interest rate swaps contracts with certain banks to mitigate the risk of interest rate fluctuation arising from certain bank loans at floating interest rate.

(iii) The Group entered into copper commodity swap contracts with certain bank to mitigate the risk of copper price fluctuation.

The fair value changes of above derivative financial instruments were recognised in other net gains and losses.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 37(e).

22 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Raw materials	36,595	32,523	56,085	90,391
Consumables	1,786	3,174	3,729	4,646
Semi-finished goods	13,948	18,052	32,997	37,883
Finished goods	165,157	249,307	201,516	251,123

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
	217,486	303,056	294,327	384,043
Write down of inventories	(2,567)	(5,411)	(5,647)	(5,131)
	214,919	297,645	288,680	378,912

(b) ***The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:***

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Carrying amount of inventories sold	515,173	588,325	832,190	366,736	617,364
Written-off of inventories	(1,014)	(54)	(656)	(106)	(2,490)
Provision for write-down of inventories	1,369	2,930	696	2,486	2,996
	515,528	591,201	832,230	369,116	617,870

All inventories are expected to be recovered within one year.

(c) ***Certain inventories assets of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:***

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Inventories	107,196	161,152	98,519	97,755

23 Trade and bills receivables

		At December 31,			At June 30,
		2018	2019	2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000*
Trade debtors and bills receivable, net of loss allowance					
– measured at amortised cost	*(i)*				
Trade receivables		116,410	116,126	164,475	183,113
Bills receivables		7,926	4,307	4,746	8,702
– measured at FVOCI	*(ii)*				
Trade receivables		3,011	14,800	85,147	127,274
		127,347	135,233	254,368	319,089

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable primarily represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable.

(i) As at December 31, 2018, 2019 and 2020 and June 30, 2021, certain trade debtors of USD42,579,000, USD49,936,000, USD92,175,000, and USD101,314,000 were pledged as securities for bank loans of the Group, respectively (see Note 26).

(ii) Certain amounts of the Group's trade debtors and bill receivables measured at FVOCI are trade debtors factored to banks in accordance with receivables purchase agreements. These factored trade debtors were held for both collection of contractual cash flows and sales. The contractual cash flows of the trade debtors comprised solely payments of principal and interest. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Within 6 months	115,677	113,751	165,140	189,088
Over 6 months but within 12 months	4,761	4,068	3,153	1,847
Over 12 months	3,898	2,614	928	880
	124,336	120,433	169,221	191,815

Trade and bills receivables are due within 30 -180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 37(a).

24 Prepayments, deposits and other receivables

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current				
Amounts due from related parties	58	10,959	21,487	–
Value added tax recoverable	9,296	6,881	10,633	11,274
Other tax recoverable	319	449	478	1
Prepayments for materials and expenses	2,322	3,228	3,193	6,919
Advances to employee	874	846	1,011	527
Other deposits and receivables	8,644	6,644	4,616	4,223
	21,513	29,007	41,418	22,944
Less: loss allowance	(63)	(621)	(1,248)	(86)
	21,450	28,386	40,170	22,858
Non-current				
Prepayments for properties, plants and equipment	2,602	1,253	1,944	4,376
Advances to staff	2,061	2,232	2,511	1,388
	4,663	3,485	4,455	5,764

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current				
Amounts due from related parties	–	–	1,443	–
Amounts due from subsidiaries	16,062	17,679	17,261	14,434
	16,062	17,679	18,704	14,434

All of prepayments, deposits and other receivables current balances are expected to be recovered or recognized as expense within one year.

25 Cash and cash equivalents and pledged deposits

(a) Cash and cash equivalents comprise:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cash at bank	73,206	94,014	166,862	238,510
Cash in hand	60	50	75	72
	73,266	94,064	166,937	238,582

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cash at bank	3	4	4	302

(b) Pledged deposits comprise:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Pledged deposits for				
– issuance of bills payable	11,517	10,502	11,759	17,204
– issuance of banking facilities	13,196	12,691	10,413	46,287
	24,713	23,193	22,172	63,491

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Pledged deposits for				
– issuance of banking facilities	402	402	403	401

The pledged deposits will be released upon the settlement of letters of credit and bills payable and by the Group or the expiry of relevant banking facilities.

(c) Reconciliation of (loss)/profits before taxation to cash generated from operations

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
(Loss)/Profit before taxation		(14,414)	42,348	59,511	25,212	110,851
Adjustments for:						
Depreciation of properties, plants and equipment	*6(c)*	19,279	17,416	17,858	8,799	10,467
Depreciation of right-of-use assets	*6(c)*	2,582	3,091	3,302	1,520	2,230
Depreciation of investment property	*6(c)*	214	206	206	100	37
Amortization of intangible assets	*6(c)*	312	296	296	148	149
Net finance costs	*6(a)*	17,164	19,754	17,357	8,070	7,895
Share of profits of associates	*17*	(4,287)	(9,206)	(6,724)	(155)	(2,801)
Share of profits of a joint venture	*18*	(1,176)	(1,233)	–	–	–
Net losses/(gains) on disposal of properties, plants and equipment	*5(b)*	320	74	43	4	196
Net realised and unrealised losses/(gains) on FVPL	*5(b)*	83	41	(165)	(430)	(454)
Net realized and unrealized losses/(gains) on derivative financial instruments	*5(b)*	10,419	810	(8,209)	1,501	(3,686)
Loss on disposal of an associate	*5(b)*	–	–	131	–	677
Loss/(gain) on disposal of a subsidiary	*5(b)*	–	4	–	–	(21,969)
Gain on business combination	*25(f)*	–	(1,326)	–	–	–
Equity settled share-based payment expenses	*35*	–	–	21,077	–	–
(Reversal)/provision for impairment loss on trade and other receivables	*6(c)*	(2,688)	1,825	450	607	(853)
Provision for write-down of inventories	*6(c)*	1,369	2,930	696	2,486	2,996
Amortization of deferred income		94	91	91	46	49
Foreign exchange (gain)/loss		(2,617)	(466)	11,497	584	5,168
Operating profit before changes in working capital		26,654	76,655	117,417	48,492	110,952
(Increase)/decrease in pledged deposits		(1,208)	1,019	(1,263)	6,015	(5,445)
(Increase)/decrease in inventories		(25,439)	(84,872)	8,318	78,078	(89,716)
Decrease/(increase) in trade and bills receivables		11,020	(9,165)	(118,954)	(98,334)	(65,031)
(Increase)/decrease in prepayments, deposits and other receivables		(14,256)	4,510	(8,616)	(2,615)	18,443
Decrease/(increase) in right to returned goods asset		1,174	(157)	(3,541)	(2,509)	1,420
Increase/(decrease) in trade payables		8,572	24,925	83,720	23,175	99,943
Increase/(decrease) in other payables and accruals		8,679	33,071	40,456	(468)	23,155
(Decrease)/increase in warranty provision		(1,305)	3,265	22,244	19,312	5,085
Increase/(decrease) in refund liabilities from right of return		1,934	455	5,141	3,380	(2,304)
(Decrease)/increase in defined benefit retirement plans obligation		(76)	(68)	(76)	(38)	7
Cash generated from operations		15,749	49,638	144,846	74,488	96,509

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans	Interest payable	Lease liabilities	Total
	USD'000 *(Note 26)*	*USD'000* *(Note 29)*	*USD'000* *(Note 27)*	*USD'000*
At January 1, 2018	266,832	5,766	15,597	288,195
Changes from financing cash flows:				
Proceeds from bank loans	618,788	–	–	618,788
Repayment of bank loans	(549,087)	–	–	(549,087)
Capital element of lease rentals paid	–	–	(1,654)	(1,654)
Interest element of lease rentals paid	–	–	(622)	(622)
Interest paid	–	(21,103)	–	(21,103)
Total changes from financing cash flows	69,701	(21,103)	(2,276)	46,322
Exchange adjustments	(7,015)	(84)	(116)	(7,215)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	1,638	1,638
Interest expenses *(Note 6(a))*	–	16,789	622	17,411
Total other changes	–	16,789	2,260	19,049
At December 31, 2018 and January 1, 2019	329,518	1,368	15,465	346,351
Changes from financing cash flows:				
Proceeds from bank loans	587,314	–	–	587,314
Repayment of bank loans	(557,388)	–	–	(557,388)
Capital element of lease rentals paid	–	–	(2,272)	(2,272)
Interest element of lease rentals paid	–	–	(611)	(611)
Interest paid	–	(19,976)	–	(19,976)
Total changes from financing cash flows	29,926	(19,976)	(2,883)	7,067
Exchange adjustments	(2,719)	(10)	(64)	(2,793)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	2,686	2,686
Interest expenses *(Note 6(a))*	–	19,748	611	20,359
Total other changes	–	19,748	3,297	23,045
At December 31, 2019 and January 1, 2020	356,725	1,130	15,815	373,670

	Bank loans	Interest payable	Lease liabilities	Total
	USD'000 *(Note 26)*	*USD'000* *(Note 29)*	*USD'000* *(Note 27)*	*USD'000*
At January 1, 2020	356,725	1,130	15,815	373,670
Changes from financing cash flows:				
Proceeds from bank loans	604,400	–	–	604,400
Repayment of bank loans	(638,445)	–	–	(638,445)
Capital element of lease rentals paid	–	–	(2,517)	(2,517)
Interest element of lease rentals paid	–	–	(603)	(603)
Interest paid	–	(15,552)	–	(15,552)
Total changes from financing cash flows	(34,045)	(15,552)	(3,120)	(52,717)
Exchange adjustments	15,181	92	352	15,625
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	3,028	3,028
Interest expenses *(Note 6(a))*	–	17,392	603	17,995
Total other changes	–	17,392	3,631	21,023
At December 31, 2020 and January 1, 2021	337,861	3,062	16,678	357,601
Changes from financing cash flows:				
Proceeds from bank loans	288,269	–	–	288,269
Repayment of bank loans	(223,546)	–	–	(223,546)
Capital element of lease rentals paid	–	–	(1,826)	(1,826)
Interest element of lease rentals paid	–	–	(120)	(120)
Interest paid	–	(10,419)	–	(10,419)
Total changes from financing cash flows	64,723	(10,419)	(1,946)	52,358
Exchange adjustments	1,970	10	(30)	1,950
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	1,411	1,411
Interest expenses *(Note 6(a))*	–	8,235	120	8,355
Total other changes	–	8,235	1,531	9,766
At June 30, 2021	404,554	888	16,233	421,675

	Bank loans	Interest payable	Lease liabilities	Total
	USD'000 *(Note 26)*	*USD'000* *(Note 29)*	*USD'000* *(Note 27)*	*USD'000*
(Unaudited)				
At January 1, 2020	356,725	1,130	15,815	373,670
Changes from financing cash flows:				
Proceeds from bank loans	310,943	–	–	310,943
Repayment of bank loans	(318,695)	–	–	(318,695)
Capital element of lease rentals paid	–	–	(1,076)	(1,076)
Interest element of lease rentals paid	–	–	(301)	(301)
Interest paid	–	(5,738)	–	(5,738)
Total changes from financing cash flows	(7,752)	(5,738)	(1,377)	(14,867)
Exchange adjustments	(2,542)	(17)	(7)	(2,566)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	1,514	1,514
Interest expenses *(Note 6(a))*	–	8,008	301	8,309
Total other changes	–	8,008	1,815	9,823
At June 30, 2020	346,431	3,383	16,246	366,060

(e) ***Total cash flow for leases***

Amounts included in the cash flow statement for leases comprise the following:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Within operating cash flows	846	922	1,022	458	928
Within financing cash flows	2,276	2,883	3,120	1,377	1,946
	3,122	3,805	4,142	1,835	2,874

These amounts relate to the following:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Lease rentals paid	3,122	3,805	4,142	1,835	2,874

(f) Net cash outflow arising from the acquisition of a subsidiary

On December 31, 2019, the Group acquired its interests in Nanjing Bovon (see Note 18). The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	Fair value on date of acquisition
	USD'000
Cash	2,454
Financial assets at FVPL	1,886
Trade and bills receivables	15,447
Inventories	2,246
Properties, plants and equipment *(Note 12)*	1,274
Prepayments, deposits and other receivables	976
Other payables and accruals	(10,026)
Identified net assets	14,257

Loss arising from remeasurement of the pre-existing 50% of equity interest of Nanjing Bovon is as below:

	USD'000
Fair value of pre-existing 50% of equity interest of Nanjing Bovon	5,802
Carrying amount of pre-existing 50% of equity interest of Nanjing Bovon	(7,129)
Loss arising from remeasurement of the pre-existing 50% of equity interest of Nanjing Bovon	(1,327)

Gains on business combination arising from the acquisition has been recognized as below:

	USD'000
Consideration paid	5,802
Fair value of pre-existing 50% of equity interest of Nanjing Bovon	5,802
Loss arising from remeasurement of the pre-existing 50% of equity interest of Nanjing Bovon	1,327
Less: fair value of identifiable net assets	(14,257)
Gains on business combination	1,326

Satisfied by:

	USD'000
Cash consideration	5,784
Non-cash consideration	18
	5,802

Analysis of the net cash inflow in respect of business combination:

	USD'000
Total consideration paid in cash	5,784
Less: cash of subsidiary acquired	(2,454)
Net cash outflow on acquisition	3,330

The fair value of net identifiable assets of Nanjing Bovon is determined by the directors of the Company with reference to the valuation performed by independent valuation firm on the acquisition date.

From the date of acquisition to December 31, 2019, Nanjing Bovon contributed revenue of USD nil and net gain of USD nil.

The consolidated revenue and loss for the year ended December 31, 2019 would have been USD51,264,000 and USD348,000, respectively had the acquisition been completed as at January 1, 2019.

*(g) **Disposal of interests in subsidiaries***

During the Relevant Periods, the Group disposed its interests in certain subsidiaries in the PRC.

Aggregate of assets and liabilities at the date of disposal over which control was lost:

	2019	**Six months ended June 30, 2021**
	(Note i) *USD'000*	*(Notes ii&iii)* *USD'000*
Properties, plants and equipment *(Note 12)*	9	118
Investment property *(Note 14)*	–	1,231
Financial assets at FVPL	10,546	444
Interest in a subsidiary	–	672
Cash	291	925
Prepayments, deposits and other receivables	1,964	12,054
Other payables and accruals	(10,207)	(2,184)
Non-controlling interests	(1,015)	(1,564)
Net assets disposed	1,588	11,696

(Loss)/gains on disposal of interests in subsidiaries:

	2019	Six months ended June 30, 2021
	USD'000	*USD'000*
Consideration	1,584	33,665
Net assets disposed of	(1,588)	(11,696)
(Loss)/gains on disposal of interests in subsidiaries *(Note 5(b))*	(4)	21,969

Analysis of net cash in respect of the disposal of interests in subsidiaries is as follows:

	2019	Six months ended June 30, 2021
	USD'000	*USD'000*
Consideration	1,584	33,665
Less: cash disposed of	(291)	(925)
Less: consideration not received	(1,584)	–
(Payment)/Proceeds received for disposal of interests in subsidiaries	(291)	32,740

Notes:

(i) Nanjing Yaoquan Investment Management Co., Ltd. is a wholly-owned subsidiary of Nanjing Suquan Investment Co., Ltd., which is the subsidiary of the Company before December 28, 2018. On December 28, 2018, the Group has entered into an agreement with Mr. Xiao Jun, a minority shareholder of Nanjing Suquan Investment Co., Ltd. Pursuant to the agreement, the Group agreed to dispose its 61% equity interest in Nanjing Suquan Investment Co., Ltd. to Mr. Xiao Jun at a cash consideration of RMB10,921,300 (USD: 1,584,000 equivalent). The consideration was determined with reference to the valuation performed by independent valuation firm.

(ii) On February 24, 2021, the Group has entered into an agreement with Chervon Management Services, which is a related party wholly owned by Mr. Pan Longquan. Pursuant to the agreement, the Group agreed to transfer 85% equity interest in Nanjing Chervon International Trading Co., Ltd. to Chervon Management Services for a cash consideration of RMB47,813,800 (USD7,351,000 equivalent). The consideration was determined with reference to the valuation of Nanjing Chervon International Trading Co., Ltd. performed by independent valuation firm.

(iii) On February 25, 2021, the Group has entered into an agreement with Chervon Management Services, which is a related party wholly owned by Mr. Pan Longquan. Pursuant to the agreement, the Group agreed to transfer 100% equity interest in Nanjing Jiuhao Electromechanical Industry Co., Ltd. to Chervon Management Services for a cash consideration of RMB171,160,100 (USD26,314,000 equivalent). The consideration was determined with reference to the valuation of Nanjing Jiuhao Electromechanical Industry Co., Ltd. performed by independent valuation firm. The registration of the transfer was completed on March 8, 2021, upon which Nanjing Jiuhao Electromechanical Industry Co., Ltd. ceased to be the Group's subsidiary.

26 Bank loans

The maturity profile for the interest-bearing bank loans of the Group and the Company at the end of each reporting period is as follows:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Short-term bank loans	293,591	326,007	288,227	348,593
Current portion of long-term bank loans	22,640	11,551	2,232	47,239
Within 1 year or on demand	316,231	337,558	290,459	395,832
After 1 year but within 2 years	8,055	9,900	47,402	774
After 2 years but within 5 years	5,232	9,267	–	6,787
More than 5 years	–	–	–	1,161
	13,287	19,167	47,402	8,722
	329,518	356,725	337,861	404,554

At the end of each reporting period, the bank loans were secured and guaranteed as follows:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Bank loans				
– Secured	111,709	60,371	25,076	34,518
– Secured and guaranteed	–	42,669	123,477	217,522
– Guaranteed	210,368	250,795	187,884	151,531
– Unsecured and unguaranteed	7,441	2,890	1,424	983
	329,518	356,725	337,861	404,554

Notes:

(i) The Group's bank loans were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Leasehold land *(Note 13)*	25,375	24,409	25,503	25,458
Plants and buildings *(Note 12)*	42,369	38,512	44,724	43,003
Investment properties *(Note 14)*	–	1,091	959	–
Trade and bills receivables *(Note 23)*	42,579	49,936	92,175	101,314
Inventories *(Note 22)*	107,196	161,152	98,519	97,755
Intangible assets *(Note 15)*	2,347	2,050	1,754	1,605
Pledged deposits *(Note 25(b))*	13,196	12,691	10,413	46,287
Other assets	6,251	8,667	6,801	5,243
	239,313	298,508	280,848	320,665

(ii) Certain bank facilities granted to the Group were guaranteed by Mr. Pan Longquan, the ultimate controlling shareholder of the Group, Chervon Global Holdings Limited and pledged with the shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited at December 31, 2018, 2019 and 2020 and June 30, 2021.

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Guarantees and pledges to banks for granting banking facilities	51,254	109,387	151,557	164,798

Pursuant to the agreements on August 18, 2021 and September 9, 2021, guarantees provided by Mr. Pan Longquan and Chervon Global Holdings Limited have been released. Pursuant to the agreements on September 9, 2021 and November 23, 2021, pledged shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited have been released.

27 Lease liabilities

At the end of the reporting periods, the lease liabilities were repayable as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Within 1 year	1,653	2,122	3,161	3,361
After 1 year but within 2 years	1,325	2,037	2,642	3,049
After 2 years but within 5 years	3,693	4,172	4,704	4,345
After 5 years	8,794	7,484	6,171	5,478
	13,812	13,693	13,517	12,872
	15,465	15,815	16,678	16,233

28 Trade and bills payables

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Trade payables	128,682	141,480	217,788	307,706
Bills payable	10,201	22,328	29,741	42,985
	138,883	163,808	247,529	350,691

As of the end of the reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Within 3 months	121,256	149,286	216,913	310,934
3 to 12 months	17,627	14,522	30,616	39,757
	138,883	163,808	247,529	350,691

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

29 Other payables and accruals

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Amounts due to related parties	5,949	15,198	8,251	2,441
Other payables and accrued charges	29,761	41,847	78,357	131,932
Salaries, wages, bonus and benefits payable	15,657	18,157	31,726	14,086
Payables for purchase of properties, plants and equipment	878	2,666	2,849	1,828
Interest payables	1,368	1,130	3,062	888
Other tax payables	2,231	8,052	5,256	5,877
Receipt in advance – lease prepayment	655	841	636	509
	56,499	87,891	130,137	157,561

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Amounts due to subsidiaries	71	700	529	43,619
Other payables and accruals	813	114	355	282
	884	814	884	43,901

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

Note: Other payables and accrued charges primarily comprise accruals for marketing and advertising fee, utility expenses, service fee and other expenses.

30 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
At the beginning of the year/period	2,575	9,031	13,855	15,347
Provision for the year/period:				
– PRC Corporate Income Tax	(256)	(787)	(1,101)	(5,025)
– Hong Kong Profits Tax	–	–	(2,916)	(7,856)
– Income tax for tax jurisdictions outside PRC and Hong Kong	(598)	(4,241)	(5,869)	(2,387)
Effect of withholding tax on dividends	–	–	(1,275)	–
Over/(under)-provision in respect of prior years	29	(2)	(152)	56
Tax paid:				
– PRC Corporate Income Tax	4,299	7,604	5,891	7,397
– Hong Kong Profits Tax	1,237	26	200	4
– Income tax for tax jurisdictions outside PRC and Hong Kong	2,070	2,431	3,751	6
– Withholding tax	–	–	1,275	–
Exchange adjustment	(325)	(207)	1,688	296
At the end of the year/period	9,031	13,855	15,347	7,838
Represented by:				
Taxation recoverable	11,402	17,764	21,975	22,907
Taxation payable	(2,371)	(3,909)	(6,628)	(15,069)
	9,031	13,855	15,347	7,838

(b) ***Deferred tax assets and liabilities recognized represents:***

(i) The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 are as follows:

	Provision for asset impairment	Unrealized profits on inventories	Deductible tax losses	Deferred income	Accrued expenses	Defined benefit retirement plans obligation	Leases	Fair value change of financial assets at FVPL and derivative financial instruments	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2018	2,013	8,560	6,557	665	1,958	164	(19)	6	19,904
Recognized in profit or loss	(923)	142	2,238	(14)	(62)	–	19	588	1,988
Recognized in other comprehensive income	–	–	–	–	–	2	–	–	2
Exchange adjustment	(46)	–	(342)	(31)	(44)	(7)	–	(9)	(479)
At December 31, 2018 and January 1, 2019	1,044	8,702	8,453	620	1,852	159	–	585	21,415
Recognized in profit or loss	866	(1,463)	(309)	(14)	1,211	–	2	(375)	(82)
Recognized in other comprehensive income	–	–	–	–	–	5	–	–	5
Exchange adjustment	(11)	–	(80)	(10)	(15)	(3)	–	(2)	(121)
At December 31, 2019 and January 1, 2020	1,899	7,239	8,064	596	3,048	161	2	208	21,217
Recognized in profit or loss	291	4,621	(3,070)	(14)	556	–	5	(167)	2,222
Recognized in other comprehensive income	–	–	–	–	–	4	–	–	4
Exchange adjustment	70	–	512	40	94	16	–	3	735
At December 31, 2020 and January 1, 2021	2,260	11,860	5,506	622	3,698	181	7	44	24,178
Recognized in profit or loss	(276)	(1,140)	(1,472)	(7)	290	–	2	112	(2,491)
Recognized in other comprehensive income	–	–	–	–	–	–	–	–	–
Exchange adjustment	5	–	(224)	6	12	(6)	–	–	(207)
At June 30, 2021	1,989	10,720	3,810	621	4,000	175	9	156	21,480

(ii) The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 are as follows:

	Depreciation of properties, plants, and equipment	Properties	Fair value change of financial assets at FVPL and derivative financial instruments	Undistributed profits	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2018	–	(442)	(2,202)	(1,505)	(4,149)
Recognized in profit or loss	(472)	145	465	–	138
Effect of withholding tax on dividends	–	–	–	(344)	(344)
Exchange adjustment	16	16	43	84	159
At December 31, 2018 and January 1, 2019	(456)	(281)	(1,694)	(1,765)	(4,196)
Recognized in profit or loss	(819)	140	386	–	(293)
Effect of withholding tax on dividends	–	–	–	(861)	(861)
Exchange adjustment	17	3	6	39	65
At December 31, 2019 and January 1, 2020	(1,258)	(138)	(1,302)	(2,587)	(5,285)
Recognized in profit or loss	(580)	140	(1,364)	–	(1,804)
Effect of withholding tax on dividends	–	–	–	(1,503)	(1,503)
Exchange adjustment	(120)	(2)	(52)	(263)	(437)
At December 31, 2020 and January 1, 2021	(1,958)	–	(2,718)	(4,353)	(9,029)
Recognized in profit or loss	(94)	–	424	–	330
Effect of withholding tax on dividends	–	–	–	(2,239)	(2,239)
Exchange adjustment	(20)	–	(9)	(45)	(74)
At June 30, 2021	(2,072)	–	(2,303)	(6,637)	(11,012)

(iii) Reconciliation to the consolidated statements of financial position:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Net deferred tax assets recognized in the consolidated statements of financial position	21,415	21,217	24,178	21,480
Net deferred tax liabilities recognized in the consolidated statements of financial position	(4,196)	(5,285)	(9,029)	(11,012)
	17,219	15,932	15,149	10,468

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(t), the Group did not recognize deferred tax assets of USD1,750,000, USD3,395,000, USD5,311,000 and USD6,478,000, respectively, in respect of cumulative tax losses USD7,111,000, USD13,626,000, USD21,427,000, and USD26,622,000 as at December 31, 2018, 2019 and 2020 and June 30, 2021 respectively. It was not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entities.

(d) Deferred tax liabilities not recognized

At December 31, 2018, 2019 and 2020 and June 30, 2021, the Group did not recognize deferred tax liabilities of USD774,000, USD2,825,000, USD5,574,000, and USD5,812,000, respectively, in respect of distributable profits of the Group's subsidiaries amounted to USD2,866,000, USD10,465,000, USD20,646,000, and USD21,526,000, respectively. Although the Group expects to distribute profit after listing, the distributable profits will be principally contributed by the operation profits of its PRC and Hong Kong subsidiaries. As the Group controls the timing of the reversal of temporary differences associated with undistributed profits of its subsidiaries and it has been determined that it is probable that certain portion of the undistributed profits earned by the Group's subsidiaries will not be distributed in the foreseeable future, therefore no deferred tax liabilities arisen from above mentioned undistributed profits not probable to be distributed in the foreseeable future was recognized as at December 31, 2018, 2019 and 2020 and June 30, 2021.

31 Warranty provision

	Total
	USD'000
At January 1, 2018	21,704
Provision in the year	9,900
Utilization of provision	(11,205)
Exchange adjustment	(5)
At December 31, 2018 and January 1, 2019	20,394
Provision in the year	22,056
Utilization of provision	(18,791)
Exchange adjustment	(19)
At December 31, 2019 and January 1, 2020	23,640
Provision in the year	38,624
Utilization of provision	(16,380)
Exchange adjustment	66
At December 31, 2020 and January 1, 2021	45,950
Provision in the six-month period	11,660
Utilization of provision	(6,575)
Exchange adjustment	(24)
At June 30, 2021	51,011

Reconciliation to the consolidated statements of financial position:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Warranty provision – current	7,273	8,394	15,175	18,796
Warranty provision – non-current	13,121	15,246	30,775	32,215
	20,394	23,640	45,950	51,011

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within two or three years of the date of sale. The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims.

32 Refund liabilities from right of return

	Total
	USD'000
At January 1, 2018	688
Provision in the year	12,507
Utilization of provision	(10,573)
At December 31, 2018 and January 1, 2019	2,622
Provision in the year	17,936
Utilization of provision	(17,481)
At December 31, 2019 and January 1, 2020	3,077
Provision in the year	28,883
Utilization of provision	(23,742)
At December 31, 2020 and January 1, 2021	8,218
Provision in the six-month period	2,193
Utilization of provision	(4,497)
At June 30, 2021	5,914

Under the terms of the Group's sales agreements, the Group will rectify any product return arising within six months of the date of sale. The refund liabilities represent management's best estimate of the Group's service commitments arising from products sold, based on past experiences.

33 Deferred income

As at December 31, 2018, 2019 and 2020 and June 30, 2021, deferred income represented unamortized conditional government grants amounting to USD4,131,000, USD3,974,000 and USD4,152,000 and USD4,145,000, for land levelling compensation.

34 Employee retirement benefits

(a) Defined benefit retirement plans obligation

The Group has defined benefit retirement plans ("Plans") for its employees in the German subsidiaries.

The Group provides pension benefits for those employees who retire in the form of life-long annuities. These are in-line with usual German market practice and do not constitute any unusual or company-specific risks or require any specific regulatory framework to be taken into account. The costs of the Plans are solely funded by the Group.

The calculation is performed by qualified staff of Kern Mauch & Kollegen GmbH, an independent actuarial firm. The actuarial valuations of the defined benefit retirement obligation were performed in accordance with HKAS 19 "Employee Benefits" by actuaries using the projected unit credit method in the Relevant Periods.

(i) The amounts recognized in the consolidated statement of financial position are as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Present value of defined benefit retirement plans obligation	922	921	972	956

(ii) Movements in the present value of the defined benefit retirement plans obligation:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
At the beginning of the year/period	1,021	922	921	972
Remeasurements effect recognized in other comprehensive income				
– Actuarial loss	19	86	39	25
– Exchange adjustment	(42)	(19)	88	(48)
	998	989	1,048	949
Benefits paid by the plans	(92)	(84)	(85)	–
Current service cost	2	2	2	1
Interest cost	14	14	7	6
At the end of the year/period	922	921	972	956

(iii) Amounts recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current service cost	2	2	2	1
Interest on defined benefit retirement plans obligation	14	14	7	6
Total amounts recognized in profit or loss *(Note 6(b))*	16	16	9	7
Actuarial loss	19	86	39	25
Exchange adjustment	(42)	(19)	88	(48)
Total amounts recognized in other comprehensive income	(23)	67	127	(23)
Total defined benefit costs	(7)	83	136	(16)

(iv) The current service cost and the interest on defined retirement obligation are recognized in the following line items in the consolidated statement of profit or loss:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cost of sales	16	16	9	7

(v) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Discount rate	1.40%	1.61%	0.75%	0.26%
Rate of pension increase	1%	1%	1%	1%
Death rate	RT 2018 G	RT 2018 G	RT 2018 G	RT 2018 G
Retirement age	age 65	age 65	age 65	age 65
Staff turnover	0.00%	0.00%	0.00%	0.00%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of 20% change in the discount rate:

	At December 31,						At June 30,	
	2018		**2019**		**2020**		**2021**	
	Increase in 20% USD'000	*Decrease in 20% USD'000*	*Increase in 20% USD'000*	*Decrease in 20% USD'000*	*Increase in 20% USD'000*	*Decrease in 20% USD'000*	*Increase in 20% USD'000*	*Decrease in 20% USD'000*
Discount rate	(17)	17	(17)	17	(15)	16	(16)	16

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Group participate in defined contribution retirement plans (the "Schemes") organized by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group's subsidiaries in jurisdictions other than the PRC, make contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdiction in which such subsidiary located.

35 Equity settled share-based transactions

Pursuant to a resolution of the board of directors of the Company passed on December 30, 2020, a Share Incentive Scheme ("Share Incentive Scheme") was adopted for purpose of providing incentives to the qualified employees of the Group. The Share Incentive Scheme granted to qualified employees of the Group for the right to subscribe a total of 11,670,500 ordinary shares of the Company (the "Share Awards"). As there is no service condition of the Share Incentive Scheme, the Share Awards were fully vested on December 30, 2020.

Under the Share Incentive Scheme, the Share Awards were granted to 429 employees of the Group through 12 shareholding platforms at a price of HKD4.7529 (equivalent to USD0.6093) per share.

Fair value of shares granted

The fair value of the Share Awards granted was calculated based on the fair value of underlying ordinary shares as at the grant date. The directors have used the income approach to determine the fair value of the underlying shares of the Company.

Grant date	**Grant date fair value**
December 30, 2020	RMB185,093,000

Share-based payment expense of RMB138,358,000 (USD21,077,000 equivalent) is recognized as staff costs (Note 6(b)) in the consolidated statements of profit or loss for the year ended December 31, 2020.

The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market. The discount rates used for the grant date fair value were 13.56%.

The directors estimated the risk-free interest rate based on the yield of Chinese government bonds with maturity of 30 years. Weighted average cost of capital was estimated based on selected comparable companies.

36 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

			Reserves		
	Note	**Share capital**	**Other reserve**	**Retained profits**	**Total**
		USD'000	*USD'000*	*USD'000*	*USD'000*
At January 1, 2018		50,279	–	144,337	194,616
Changes in equity for 2018:					
Profit and total comprehensive income for the year		–	–	10,442	10,442
Appropriation of dividends	*36(b)*	–	–	(4,500)	(4,500)
Balance at December 31, 2018 and January 1, 2019		50,279	–	150,279	200,558
Change in equity for 2019:					
Profit and total comprehensive income for the year		–	–	8,774	8,774
Balance at December 31, 2019 and January 1, 2020		50,279	–	159,053	209,332
Changes in equity for 2020:					
Profit and total comprehensive income for the year		–	–	4,186	4,186
Equity settled share-based transactions	*35*	–	21,077	–	21,077
Appropriation of dividends	*36(b)*	–	–	(3,691)	(3,691)
Balance at December 31, 2020 and January 1, 2021		50,279	21,077	159,548	230,904
Changes in equity for the six months ended June 30, 2021:					
Loss and total comprehensive income for the six-month period		–	–	(2,018)	(2,018)
Issuance of ordinary shares		7,856	–	–	7,856
Appropriation of dividends	*36(b)*	–	–	(15,000)	(15,000)
Balance at June 30, 2021		58,135	21,077	142,530	221,742

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 is as follow:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Dividends in respect of previous financial years declared and approved	4,500	–	3,691	–	15,000

On December 1, 2018, July 1, 2020 and January 31, 2021, the directors of the Company approved a dividend of USD4,500,000, USD3,691,000 and USD15,000,000, respectively.

(c) Share capital

	Note	*Number of Shares*	*HKD'000*	*USD'000*
Ordinary shares, issued and fully paid:				
At January 1, 2018, December 31, 2018, December 31, 2019, December 31, 2020 and January 1, 2021		390,000,000	390,000	50,279
Issuance of ordinary shares under right issues	*(i)*	5,844,911	5,845	749
Issuance of ordinary shares under the Share Incentive Scheme *(Note 35)*		11,670,500	55,435	7,107
At June 30, 2021		407,515,411	451,280	58,135

Note:

(i) Pursuant to a written resolution dated March 17, 2021, the Company issued and allotted a total of 5,844,911 shares by way of rights issue at the subscription price of HKD1.00 to the shareholders.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Other reserve

Other reserve primarily represented the portion of the grant date fair value of shares granted by the Share Incentive Scheme to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(s)(iv).

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than USD. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(x).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net gearing ratio. For this purpose, the Group defines net debt as total current and non-current bank loans and lease liabilities less cash and cash equivalents and pledged deposits. The Group defines capital as including all components of equity.

The Group's net debt to capital ratio as at December 31, 2018, 2019 and 2020 and June 30, 2021 are as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current liabilities:				
Bank loans	316,231	337,558	290,459	395,832
Lease liabilities	1,653	2,122	3,161	3,361
	317,884	339,680	293,620	399,193
Non-current liabilities:				
Bank loans	13,287	19,167	47,402	8,722
Lease liabilities	13,812	13,693	13,517	12,872
Total borrowings	27,099	32,860	60,919	21,594
Less: Cash and cash equivalents	(73,266)	(94,064)	(166,937)	(238,582)
Pledged deposits	(24,713)	(23,193)	(22,172)	(63,491)
Net debt	247,004	255,283	165,430	118,714
Total equity	167,115	200,838	284,024	338,922
Net debt to capital ratio	148%	127%	58%	35%

37 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 39, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 39.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2018, 2019 and 2020 and June 30, 2021, 11%, 11%, 36% and 39% of the total trade receivables was due from the Group's largest customer and 49%, 52%, 67% and 66% was due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

	At December 31, 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*USD'000*	*USD'000*
Current (not past due)	0.85%	96,095	(817)
Less than 3 months past due	1.13%	9,405	(106)
More than 3 months but less than 12 months past due	4.80%	7,458	(358)
More than 12 months but less than 24 months past due	10.45%	4,651	(486)
More than 24 months but less than 36 months past due	34.18%	863	(295)
More than 36 months past due	100.00%	123	(123)
		118,595	(2,185)

	At December 31, 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*USD'000*	*USD'000*
Current (not past due)	1.08%	103,102	(1,114)
Less than 3 months past due	1.17%	9,440	(110)
More than 3 months but less than 12 months past due	5.20%	3,805	(198)
More than 12 months but less than 24 months past due	10.60%	962	(102)
More than 24 months but less than 36 months past due	39.86%	567	(226)
More than 36 months past due	100.00%	489	(489)
		118,365	(2,239)

	At December 31, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*USD'000*	*USD'000*
Current (not past due)	1.05%	137,947	(1,446)
Less than 3 months past due	1.09%	24,555	(267)
More than 3 months but less than 12 months past due	3.84%	3,337	(128)
More than 12 months but less than 24 months past due	10.21%	519	(53)
More than 24 months but less than 36 months past due	26.67%	15	(4)
More than 36 months past due	100.00%	254	(254)
		166,627	(2,152)

	At June 30, 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	USD'000	USD'000
Current (not past due)	1.06%	165,897	(1,754)
Less than 3 months past due	1.10%	14,300	(158)
More than 3 months but less than 12 months past due	4.51%	4,387	(198)
More than 12 months but less than 24 months past due	13.58%	589	(80)
More than 24 months but less than 36 months past due	22.16%	167	(37)
More than 36 months past due	100.00%	247	(247)
		185,587	(2,474)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance in respect of trade receivables during the Relevant Periods is as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	USD'000	USD'000	USD'000
At the beginning of the year/period	5,069	2,185	2,239	2,152
Impairment loss recognized	(2,702)	1,259	(103)	321
Amounts written off during the year/period	(90)	(1,184)	(63)	–
Exchange adjustment	(92)	(21)	79	1
At the end of the year/period	2,185	2,239	2,152	2,474

The following significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021:

– origination of new trade receivables net of those settled resulted in a decrease of USD2,702,000, an increase in loss allowance of USD1,259,000, a decrease of USD103,000 and an increase of USD321,000, respectively.

– a write-off of trade receivables with a gross carrying amount of USD90,000 USD1,184,000, USD63,000 and USD nil resulted in a decrease in loss allowance, respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	At December 31, 2018					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at December 31, 2018**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	324,746	8,576	5,397	–	338,719	329,518
Lease liabilities	1,922	1,540	4,293	9,956	17,711	15,465
Trade and bills payables	138,883	–	–	–	138,883	138,883
Other payables and accruals	56,499	–	–	–	56,499	56,499
Refund liabilities from right of return	2,622	–	–	–	2,622	2,622
	524,672	10,116	9,690	9,956	554,434	542,987
Financial guarantees issued: Maximum amount guaranteed (Note 39)	874	–	–	–	874	–
Derivatives settled gross: Foreign currency forward and option contracts (Note 21)						
– outflow	(136,837)	–	–	–	(136,837)	–
– inflow	140,050	–	–	–	140,050	–

	At December 31, 2019					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2019
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	346,758	10,666	9,312	–	366,736	356,725
Lease liabilities	2,511	2,349	5,178	8,343	18,381	15,815
Trade and bills payables	163,808	–	–	–	163,808	163,808
Other payables and accruals	87,891	–	–	–	87,891	87,891
Refund liabilities from right of return	3,077	–	–	–	3,077	3,077
	604,045	13,015	14,490	8,343	639,893	627,316
Financial guarantees issued: Maximum amount guaranteed (Note 39)	1,003	–	–	–	1,003	–
Derivatives settled gross: Foreign currency forward and option contracts (Note 21)						
– outflow	(136,322)	–	–	–	(136,322)	–
– inflow	136,660	–	–	–	136,660	–

	At December 31, 2020					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2020
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	298,219	47,690	–	–	345,909	337,861
Lease liabilities	3,752	3,086	5,636	6,777	19,251	16,678
Trade and bills payables	247,529	–	–	–	247,529	247,529
Other payables and accruals	130,137	–	–	–	130,137	130,137
Refund liabilities from right of return	8,218	–	–	–	8,218	8,218
	687,855	50,776	5,636	6,777	751,044	740,423
Financial guarantees issued: Maximum amount guaranteed (Note 39)	9,808	–	–	–	9,808	–
Derivatives settled gross: Foreign currency forward and option contracts (Note 21)						
– outflow	(231,113)	–	–	–	(231,113)	–
– inflow	225,575	–	–	–	225,575	–

	At June 30, 2021					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at June 30, 2021
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	402,788	1,181	7,542	1,189	412,700	404,554
Lease liabilities	3,361	3,049	4,345	5,478	16,233	16,233
Trade and bills payables	350,691	–	–	–	350,691	350,691
Other payables and accruals	157,561	–	–	–	157,561	157,561
Refund liabilities from right of return	5,914	–	–	–	5,914	5,914
	920,315	4,230	11,887	6,667	943,099	934,953
Financial guarantees issued: Maximum amount guaranteed *(Note 39)*	9,907	–	–	–	9,907	–
Derivatives settled gross: Foreign currency forward and option contracts *(Note 21)*						
– outflow	(204,910)	–	–	–	(204,910)	–
– inflow	202,421	–	–	–	202,421	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings as at the end of each reporting period:

	At December 31,						At June 30,	
	2018		2019		2020		2021	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*USD'000*	%	*USD'000*	%	*USD'000*	%	*USD'000*
Fixed rate borrowings:								
Bank loans	*3.6850%-9.1700%*	186,487	*3.2625%-9.4865%*	231,083	*1.4073%-6.6000%*	76,911	*1.5000%-4.9000%*	296,841

	At December 31,						At June 30,	
	2018		2019		2020		2021	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*
Variable rate borrowings:								
Bank loans	*1.9000%-5.7600%*	143,031	*2.2000%-6.6000%*	125,642	*1.6439%-3.3939%*	260,950	0.7000%-5.1450%	107,713
Total borrowings		329,518		356,725		337,861		404,554
Fixed rate borrowings as a percentage of total borrowings		*57%*		*65%*		*23%*		*73%*

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and decreased/increased retained profits by approximately USD1,066,000 as at December 31, 2018 and decreased/increased the Group's profit after taxation and retained profits by approximately USD936,000, USD1,944,000 and USD802,000 in response to the general increase or decrease in interest rates as at December 31, 2019 and 2020 and June 30, 2021.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis is performed on the same basis as 2018.

The sensitivity analysis above indicates the instantaneous change in the Group's (loss)/profit after taxation (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to floating rate non-derivative instruments held by the Group, which expose the Group to cash flow interest rate risk. The impact on the Group's (loss)/profit after taxation (and retained profits) is estimated as an annualized impact on interest expense of such a change in interest rates. Fixed rate financial instruments are excluded for the above analysis. The analysis is performed on the same basis during the Relevant Periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchase and borrowings which give rise to receivables, payables, cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD.

(i) Exposure to currency risk

The following table details the Group's exposure as at December 31, 2018, 2019 and 2020 and June 30, 2021 to currency risk arising from the recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in USD translated using the spot rate of the end of each reporting period. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than USD into the Group's presentation currency are excluded.

As the HKD is pegged to the USD, the group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

	At December 31,			**At June 30,**
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
USD				
Cash and cash equivalents	30,069	30,783	63,925	59,984
Trade and bills receivables	148,318	218,921	209,209	220,583
Bank loans	(99,068)	(101,126)	(53,323)	(82,311)
Trade and bills payables	(10,041)	(3,595)	(3,714)	(7,345)
Other payables and accruals	–	–	(96)	(105)
Gross exposure arising from recognized assets and liabilities	69,278	144,983	216,001	190,806
Notional amounts of forward exchange contracts and foreign currency option contracts used as economic hedges	(56,812)	(24,700)	(87,000)	(77,100)
Net exposure arising from recognized assets and liabilities	12,466	120,283	129,001	113,706

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
EUR				
Cash and cash equivalents	711	4,372	3,997	11,461
Trade and bills receivables	25,131	36,028	37,485	58,460
Trade and bills payables	(6,074)	(3,443)	(13,682)	(19,162)
Other payables and accruals	–	(441)	(445)	–
Gross exposure arising from recognized assets and liabilities	19,768	36,516	27,355	50,759
Notional amounts of forward exchange contracts and foreign currency option contracts used as economic hedges	(4,802)	(2,017)	(19,592)	(11,672)
Net exposure arising from recognized assets and liabilities	14,966	34,499	7,763	39,087

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's (loss)/profit after taxation (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	2018		2019		2020		Six months ended June 30, 2021	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained profits
	%	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*
USD	1%	93	1%	902	1%	968	1%	853
	(1%)	(93)	(1%)	(902)	(1%)	(968)	(1%)	(853)
EUR	1%	111	1%	255	1%	57	1%	289
	(1%)	(111)	(1%)	(255)	(1%)	(57)	(1%)	(289)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into USD at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at December 31, 2018, 2019 and 2020 and June 30, 2021, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not USD. The analysis is performed on the same basis for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021.

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of derivative financial instruments as at December 31, 2018, 2019 and 2020 and June 30, 2021 are as follows:

	Fair value at December 31, 2018	Fair value measurement at December 31, 2018 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	15,236	–	–	15,236
– Insurance product	5,482	–	–	5,482
– Structured deposits and wealth management products	2,798	–	–	2,798
– Trading securities	9,582	9,582	–	–
Derivative financial instruments				
– Foreign currency forward contracts	(2,381)	–	(2,381)	–
– Foreign currency option contracts	(746)	–	(746)	–
– Interest rate swap contracts	(19)	–	(19)	–
– Copper commodity swap contracts	(67)	–	(67)	–
Trade receivables	3,011	–	–	3,011

	Fair value at December 31, 2019	Fair value measurement at December 31, 2019 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	11,604	–	–	11,604
– Insurance product	5,663	–	–	5,663
– Structured deposits and wealth management products	3,584	–	–	3,584
– Trading securities	11	11	–	–
Derivative financial instruments				
– Foreign currency forward contracts	(215)	–	(215)	–
– Foreign currency option contracts	(123)	–	(123)	–
Trade receivables	14,800	–	–	14,800

	Fair value at December 31, 2020	Fair value measurement at December 31, 2020 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	5	–	–	5
– Insurance product	5,844	–	–	5,844
– Structured deposits and wealth management products	5,372	–	–	5,372
Derivative financial instruments				
– Foreign currency forward contracts	5,505	–	5,505	–
– Foreign currency option contracts	33	–	33	–
Trade receivables	85,147	–	–	85,147

	Fair value at June 30, 2021	Fair value measurement at June 30, 2021 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Insurance product	5,938	–	–	5,938
– Structured deposits and wealth management products	2,785	–	–	2,785
Derivative financial instruments				
– Foreign currency forward contracts	2,562	–	2,562	–
– Foreign currency option contracts	(73)	–	(73)	–
Trade receivables	127,274	–	–	127,274

During the years ended December 31, 2018, 2019 and 2020 and June 30, 2021, there were no transfers, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to transfer the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted units in investment funds	Net asset value (Note i)	Net asset value of underlying investments
Insurance product	Cash value (Note ii)	Expected return rate
Structured deposits and wealth management products	Discounted cash flow (Note iii)	Expected return rate
Trade receivables	Discounted cash flow (Note iv)	Expected return rate

Notes:

(i) The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have decreased/increased the Group's loss for the year by USD571,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the year/period by USD435,000, USD nil, and USD nil, respectively.

(ii) The fair value of insurance product is the cash value that can be recovered from insurance company. The fair value measurement is positively correlated to expected return rate. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in fair value of insurance product by 5% would have decreased/increased the Group's loss for the year by USD201,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in fair value of insurance product by 5% would have increased/decreased the Group's profit for the year/period by USD208,000, USD215,000, and USD218,000, respectively.

(iii) The fair value of structured deposits and wealth management products is calculated by discounting the expected future cash flows. The fair value measurement is positively correlated to expected return rate. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in fair value of structured deposits and wealth management products by 5% would have decreased/increased the Group's loss for the year by USD105,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in fair value of structured deposits and wealth management products by 5% would have increased/decreased the Group's profit for the year/period by USD134,000, USD201,000 and USD104,000, respectively.

(iv) The fair value of trade receivables is calculated by discounting the expected future cash flows. The fair value measurement is positively correlated to expected return rate. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in fair value of trade receivables by 5% would have decreased/increased the Group's loss for the year by USD112,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in fair value of trade receivables by 5% would have increased/decreased the Group's profit for the year/period by USD551,000, USD3,172,000 and USD4,741,000 respectively.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement for Financial assets at FVPL in Level 3 of the fair value hierarchy:

	Financial assets at FVPL
	USD'000
As at January 1, 2018	37,510
Net realized and unrealized gains on financial assets at FVPL	(83)
Purchases	44,395
Sales and settlements	(56,602)
Exchange difference	(1,704)
As at December 31, 2018 and January 1, 2019	23,516
Net realized and unrealized gains on financial assets at FVPL	(41)
Purchases	141,906
Sales and settlements	(134,125)
Disposal of subsidiaries	(10,546)
Exchange difference	141
As at December 31, 2019 and January 1, 2020	20,851
Net realized and unrealized losses on financial assets at FVPL	165
Purchases	133,541
Sales and settlements	(144,080)
Exchange difference	744
As at December 31, 2020 and January 1, 2021	11,221
Net realized and unrealized losses on financial assets at FVPL	454
Purchases	123,263
Sales and settlements	(125,480)
Disposal of subsidiaries	(474)
Exchange difference	(261)
As at June 30, 2021	8,723

Trade receivables carried at FVOCI are not materially different from their values as at December 31, 2018, 2019 and 2020 and June 30, 2021.

All financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at December 31, 2018, 2019 and 2020 and June 30, 2021.

38 Capital commitments

Capital commitments outstanding at the respective year/period end not provided for in the Historical Financial Information are as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Contracted for	54,076	49,536	47,326	38,897
Authorised but not contracted for	–	–	2,153	459,515
	54,076	49,536	49,479	498,412
Represented by:				
Construction of plant and buildings	52,507	48,547	46,900	492,813
Acquisition of machinery and equipment	1,569	989	2,579	5,599
	54,076	49,536	49,479	498,412

39 Contingent liabilities

(a) Guarantee to Chervon Auto Precision Technology

The Group has issued guarantees in respect of loans made by certain financial institutions to the Chervon Auto Precision Technology in the Relevant Periods (see Note 40(c))

(b) Guarantee to customers

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third-party customers of the Group. The maximum exposures to the Group are limited to the facilities granted to individual customer. Details of guarantee to customers are set out below:

	2018		2019		2020		Six months ended June 30, 2021	
	Maximum guarantee amount	Guarantee issued	Maximum guarantee amount	Guarantee issued	Maximum guarantee amount	Guarantee issued	Maximum guarantee amount	Guarantee issued
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank A	–	–	–	–	8,429	1,137	8,514	2,174
Bank B	874	718	1,003	942	1,379	790	1,393	768
	874	718	1,003	942	9,808	1,927	9,907	2,942

40 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Short-term employee benefits	3,364	3,728	4,471	1,633	1,837
Contributions to defined contribution retirement plans	189	177	159	88	132
Equity settled share-based payment expenses	–	–	2,877	–	–
	3,553	3,905	7,507	1,721	1,969

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had other material transactions with the Group during the Track Record Period:

Name of related party	Relationship
Mr. Pan Longquan	Ultimate controlling shareholder of the Group
Ms. Zhang Tong	Director of the Group
Mr. Ke Zuqian	Director of the Group
Mr. Xiao Jun	Director of the Group
Nanjing Jiangning Lianshang Investment Co., Ltd.	Associate of the Group
Nanjing Chervon Auto Precision Technology Co., Ltd.	Associate of the Group
Nanjing Suquan Investment Co., Ltd.	Associate of the Group
Nanjing Yaoquan Investment Management Co., Ltd.	Associate of the Group
Nanjing Bovon Power Tools Co., Ltd.	Joint Venture of the Group
Cheng and Cheng Corporate Services Limited	Controlled by a director of the Group
Cheng and Cheng Taxation Service Limited	Controlled by a director of the Group
Cheng and Cheng Limited	Controlled by a director of the Group
Chervon Global Holdings Limited	Controlled by the ultimate controlling shareholder of the Group
Chervon Precision Technology Holdings Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Jiuhao Electromechanical Industry Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Chervon (Nanjing) Management Services Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group

(c) Guarantees issued by related parties

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Banking facilities granted to the Group with guarantees and pledges issued by related parties	51,254	109,387	151,557	164,798

Pursuant to the agreements on August 18, 2021 and September 9, 2021, guarantees provided by Mr. Pan Longquan and Chervon Global Holdings Limited have been released. Pursuant to the agreements on September 9, 2021 and November 23, 2021, pledged shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited have been released.

(d) Guarantees issued to related parties

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Guarantees issued to Nanjing Chervon Auto Precision Technology Co., Ltd.	25,322	9,516	8,706	3,096

At December 31, 2018, 2019 and 2020 and June 30, 2021, guarantees were issued to Nanjing Chervon Auto Precision Technology Co., Ltd. for its bank facilities. All guarantees issued to Nanjing Chervon Auto Precision Technology Co., Ltd. were released in September 2021.

(e) Other significant related party transactions

During the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, the Group had following transactions with related parties:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Purchase of goods and service					
Nanjing Chervon Auto Precision Technology Co., Ltd.	58	151	–	–	–
Cheng and Cheng Taxation Service Limited	10	10	9	6	5
Cheng and Cheng Corporate Services Limited	6	6	6	4	6
Cheng and Cheng Limited	1	14	–	–	–
Nanjing Bovon Power Tools Co., Ltd.	4,837	–	–	–	–
	4,912	181	15	10	11
Sales of goods and rendering of services					
Nanjing Bovon Power Tools Co., Ltd	6,336	–	–	–	–
Lease payment from					
Nanjing Chervon Auto Precision Technology Co., Ltd.	87	53	76	75	155
Nanjing Yaoquan Investment Management Co., Ltd.	–	17	17	9	9
Nanjing Bovon Power Tools Co., Ltd.	32	–	–	–	–
	119	70	93	84	164
Lease payment to					
Nanjing Chervon Auto Precision Technology Co., Ltd.	443	106	114	8	8

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Disposal of interest in subsidiaries and associates					
Xiao Jun	–	1,584	–	–	–
Chervon (Nanjing) Management Services Co., Ltd.	–	–	–	–	33,665
	–	1,584	–	–	33,665
Acquisition of non-controlling interests					
Pan Longquan	–	–	–	–	14,236
Zhang Tong	–	–	–	–	8,514
Ke Zuqian	–	–	–	–	5,676
	–	–	–	–	28,426
Disposal of unlisted units in investment funds					
Chervon Global Holdings Limited	–	–	8,917	–	–
Dividends received					
Nanjing Jiangning Lianshang Investment Co., Ltd.	–	–	3,162	–	–
Nanjing Chervon Auto Precision Technology Co., Ltd.	–	–	1,005	1,005	540
Nanjing Bovon Power Tools Co., Ltd.	1,003	1,018	–	–	–
	1,003	1,018	4,167	1,005	540
Sales of properties, plants and equipment					
Nanjing Bovon Power Tools Co., Ltd.	1	–	–	–	–

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Payments made on behalf of related parties					
Nanjing Bovon Power Tools Co., Ltd.	30	–	–	–	–
Nanjing Chervon Auto Precision Technology Co., Ltd.	1,775	1,227	1,169	439	387
	1,805	1,227	1,169	439	387
Receivables made on behalf of a related party					
Nanjing Chervon Auto Precision Technology Co., Ltd	86	84	110	36	70
Advance to related parties					
Chervon Global Holdings Limited	–	–	505	–	781
Pan Longquan	7	1	472	–	–
Zhang Tong	4	–	257	–	–
	11	1	1,234	–	781
Repayment from related parties					
Pan Longquan	–	–	–	–	508
Zhang Tong	–	–	–	–	277
	–	–	–	–	785

(f) Significant related party balances

At December 31, 2018, 2019 and 2020 and June 30, 2021, the Group had following in nature balances with related parties:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Trade and bills receivables				
Nanjing Bovon Power Tools Co., Ltd.	144	–	–	–
Trade and bills payables				
Nanjing Bovon Power Tools Co., Ltd.	1,836	–	–	–
Prepayments, deposits and other receivables (Non-trade) (Note 24)				
Nanjing Yaoquan Investment Management Co., Ltd.	–	9,380	9,475	–
Chervon Global Holdings Limited	–	–	9,502	1,303
Nanjing Bovon Power Tools Co., Ltd.	47	–	–	–
Pan Longquan	7	8	556	–
Zhang Tong	4	4	302	–
Xiao Jun	–	1,567	1,652	–
	58	10,959	21,487	1,303
Other payables and accruals (Non-trade) (Note 29)				
Pan Longquan	3,853	3,658	3,980	–
Zhang Tong	2,025	1,925	2,094	–
Nanjing Suquan Investment Co., Ltd	–	1,887	2,042	–
Chervon Global Holdings Limited	71	688	135	–
Nanjing Jiuhao Electromechanical Industry Co., Ltd.	–	–	–	2,441
Nanjing Jiangning Lianshang Investment Co., Ltd.	–	7,040	–	–
	5,949	15,198	8,251	2,441
Guarantees issued to Nanjing Chervon Auto Precision Technology Co., Ltd.	71,626	35,667	9,196	–

The directors of the Company confirm that the non-trade balance will be settled before the listing of the Company's shares on the Stock Exchange.

41 Immediate and ultimate controlling party

At June 30, 2021, the directors of the Company consider the immediate parent of the Group is Panmercy Holdings Limited, a company incorporated in Hong Kong, while as at December 31, 2018, 2019 and 2020, the immediate parent of the Group is Chervon Global Holdings Limited, a company incorporated in BVI.

The ultimate controlling party of the Group is Mr. Pan Longquan, Chairman of the Group. Panmercy Holdings Limited and Chervon Global Holdings Limited do not produce financial statements available for public use.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for year ended December 31, 2021

Up to date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance Contracts*, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts – cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

43 Subsequent events

On August 3, 2021, Chervon Auto Precision Technology announced that it has obtained approval from the CSRC to issue public A-share convertible bonds in an aggregate principal amount of RMB620,000,000 (US$95,900,000) with a maturity date on the sixth year after the date of issuance. Pursuant to the terms of the convertible bond offering, an existing shareholder of Chervon Auto Precision Technology has pre-emptive rights to subscribe for the convertible bonds in an amount up to the proportional interests of such shareholder in Chervon Auto Precision Technology. As of September 30, 2021, Chervon (China) Investment, which is our wholly-owned subsidiary and owns 23.12% of Chervon Auto Precision Technology, has exercised and paid for such pre-emptive rights to subscribe for RMB118,500,000 (US$18,300,000) of the principal amount of the convertible bond. As the convertible bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the Global Offering.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2021.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2021 as if it had taken place on June 30, 2021.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2021 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of June 30, 2021(1)	Estimated net proceeds from this Global Offering(2)(4)	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share	
	(US$'000)	*(US$'000)*	*(US$'000)*	*US$(3)*	*HK$(4)*
Based on an Offer Price of HK$37.6 per Share	337,317	327,373	664,690	1.39	10.81
Based on an Offer Price of HK$43.6 per Share	337,317	382,717	720,034	1.50	11.71

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2021 is calculated based on the audited consolidated total equity attributable to the equity shareholders of the Company of US$338,922,000 less the intangible assets of US$1,605,000 as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from this Global Offering are based on the expected issuance of 71,916,000 shares and the indicative Offer Prices of HK$37.6 and HK$43.6 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the estimated underwriting fees and other estimated related expenses payable of the Group of US$14.0 million and US$5.4 million respectively (excluding approximately US$2.4 million listing expenses which have been accounted for prior to June 30, 2021) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived after the above adjustment and on the basis that a total of 479,431,411 shares are in issue following the completion of the Global Offering assuming the Global Offering had been completed on June 30, 2021 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong dollar into United States dollar and the unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is converted from United States dollar into Hong Kong dollar at the exchange rate of HK$1 to US$0.1283, being the prevailing exchange rate by PBOC at the December 6, 2021. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted to United States dollar, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company to reflect any trading results or other transactions entered into subsequent to June 30, 2021.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Chervon Holding Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chervon Holdings Limited. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at June 30, 2021 and related notes as set out in Part A of Appendix II in this prospectus dated December 17, 2021 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II in this prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at June 30, 2021 as if the Global Offering had taken place at June 30, 2021. As part of this process, information about the Group's financial position as at June 30, 2021 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I in this Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at June 30, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

December 17, 2021

This Appendix contains a summary of the Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. A copy of the Articles of Association will be published on the websites specified in "Documents Delivered to the Registrar of Companies and Documents on Display" in Appendix V to this prospectus.

The Articles of Association were adopted on December 8, 2021 and will become effective from the date on which this prospectus and **GREEN** Application Form (together with the other documents required) are submitted to the Registrar of Companies in Hong Kong. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, other ordinances and subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

Our Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in section 170 of the Companies Ordinance, including but not limited to:

(a) increasing its share capital by allotting and issuing new shares in accordance with the Companies Ordinance;

(b) increasing its share capital without allotting and issuing new shares, if the funds or other assets for the increase are provided by the members of our Company;

(c) capitalizing its profits, with or without allotting and issuing new shares;

(d) allotting and issuing bonus shares with or without increasing its share capital;

(e) converting all or any of its shares into a larger or smaller number of existing shares;

(f) dividing its shares into several classes and attaching thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, provided always that where our Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words "restricted voting" or "limited voting";

(g) cancelling shares:

    (i) that, at the date of the passing of the passing of the resolution for cancellation, have not been taken or agreed to be taken by any person; or

    (ii) that have been forfeited; or

(h) making provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its share capital subject to any conditions prescribed by law.

MODIFICATION OF RIGHTS

Subject to the provisions of the Companies Ordinance, all or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in the Articles of Association relating to the general meetings shall mutatis mutandis apply to every such meeting, except that (a) the quorum thereof shall be not less than two persons holding or representing by proxy one third of the total voting rights of holders of shares of the class, and that (b) any holder of shares of that class present in person or by proxy may demand a poll.

The provisions of the foregoing Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.

The special rights conferred upon the holders of the shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* with them.

TRANSFER OF SHARES

The right of members to transfer their fully-paid shares shall not be restricted (except where permitted by the Stock Exchange) and shall also be free from all lien.

The instrument of transfer of any shares in our Company shall be in writing and in the usual form or in such other form as the Board may accept and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The instrument of transfer may be executed by hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in the Articles of Association shall preclude the Board from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

Every instrument of transfer and other documents relating to or affecting the title to any shares of our Company shall be lodged at the Office for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto.

All instruments of transfer which shall be registered shall be retained by our Company, but save where fraud is suspected, any instrument of transfer which the Directors refuse to register shall, on demand, be returned to the person lodging the same.

There shall be paid to our Company in respect of the registration of a transfer and of any grant of probate or letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share or for making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribed, provided that such fee (if any) shall not exceed the maximum fees as the Stock Exchange may from time to time prescribe or permit.

GENERAL MEETINGS

Our Company shall in respect of each financial year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held within 6 months after the end of each financial year and at such place(s) as may be determined by the Directors.

The Directors may whenever they think fit, and shall on requisition in accordance with the Companies Ordinance, convene an extraordinary general meeting.

NOTICE OF GENERAL MEETINGS

Subject to section 578 of the Companies Ordinance, an annual general meeting shall be called by not less than notice in writing of at least 21 days (or such longer period as may be required by the Listing Rules), and any other general meeting shall be called by not less than notice in writing of at least 14 days (or such longer period as may be required by the Listing Rules).

Notwithstanding that a meeting of our Company is called by shorter notice than that specified in the Articles of Association or required by the Companies Ordinance, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% of the shares giving that right.

The accidental omission to give any notice or to send any instrument of proxy to, or the non-receipt of any notice or any instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

Subject to sections 576 and 578 of the Companies Ordinance, the notice shall specify the place(s), date and time of a meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy needs not be a member of our Company.

VOTING AT GENERAL MEETINGS

Subject to the provisions of the Companies Ordinance, the Articles of Association and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorized at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.

On a poll, votes may be given either personally or by proxy or (in the case of a corporate member) by a duly authorized representative. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names stand in the Register in respect of such share.

Where a member is, under the Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any vote cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

DIRECTORS NEED NOT BE MEMBERS

A Director shall not be required to hold any Shares. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at general meetings.

BORROWING POWERS

The Directors may exercise all the powers of our Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

APPOINTMENT, REMOVAL AND RETIREMENT OF DIRECTORS

Our Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to our Board.

No person (other than a Director retiring in accordance with the Articles of Association) shall, unless recommended by the Board for re-election, be eligible for election to the office of Director at any general meeting under the last paragraph unless:

(a) he is recommended by the Board for re-election; or

(b) he is nominated by notice in writing by a member (other than the person to be proposed) entitled to attend and vote at the meeting, and such notice of nomination shall be given to the Company Secretary within the seven-day period (or a longer period as may be determined by the Directors from time to time) commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting. The notice of nomination shall be accompanied by a notice signed by the proposed candidate indicating his willingness to be appointed or re-appointed.

Without prejudice to the power of our Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time (if any) by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for reelection, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.

Our Company may, at any general meeting convened and held in accordance with the Companies Ordinance, by ordinary resolution remove any Director before the expiration of his period of service notwithstanding anything in the Articles of Association or in any agreement between him and our Company (but without prejudice to any claim he may have for damages for termination of such agreement not in accordance with its terms), and may, if thought fit, by ordinary resolution appoint another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.

The office of a Director shall *ipso facto* be vacated:

(a) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or he becomes prohibited from being a Director by laws;

(b) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(c) if he is, or may be, suffering from mental disorder and an order is made by a court claiming jurisdiction in that behalf (whether in Hong Kong or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, *curator bonis* or other person by whatever name called to exercise powers with respect to his property or affairs; or

(d) if he is absent from meetings of the Board during a continuous period of six months without special leave of absence from the Board, and his alternate Director(if any) shall not during such period have attended such meetings in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office; or

(e) if he is removed from office by notice in writing served upon him signed by all other Directors;

(f) if he serves on our Company notice of his wish to resign, in which case he shall vacate office on the service of such notice to our Company or such later time as is specified in such notice;

(g) if he is removed by ordinary resolution in accordance with the Companies Ordinance; or

(h) if he is convicted of an indictable offence.

If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee appointed by the Board.

QUALIFICATION OF DIRECTORS

A Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meeting or meeting of the holders of shares of any class of our Company.

DIRECTORS' REMUNERATION AND EXPENSES

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Directors may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees.

Our Directors shall also be entitled to be reimbursed all travelling, hotel accommodation and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Board may grant special remuneration to any Director who, at the request of our Company, shall perform any special or extra services to our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration (if any) as a Director, and may, without prejudice to the payment of ordinary remuneration, be made payable by a lump sum or by way of salary, commission or participation in profits or otherwise as the Board may decide.

DIRECTORS' INTERESTS

If a Director or a senior management officer or any entity connected with such Director or senior management officer is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with our Company, such Director shall declare the nature and extent of his interest or his connected entities' interest at a meeting of the Directors at which the question of entering into the transaction, arrangement or contract is first taken into consideration, if he knows his interest then exists, or in any other case as soon as reasonably practicable, and in any event at the first meeting of Directors after he knows that he is or has become so interested. Such declaration shall be made in accordance with the Companies Ordinance, the Articles of Association and any other requirements prescribed by our Company for the declaration of interests of Directors in force from time to time. References to an entity connected with a Director shall be construed in accordance with section 486 of the Companies Ordinance.

A general notice in writing given by a Director to the Directors at a meeting of the Directors to the effect that he is a member or a director of a specified company or firm, and is to be regarded as interested in any contract, transaction, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall be deemed to be a sufficient declaration of interest in relation to any contract, transaction, arrangement or dealing so entered into or made if such declaration is made in accordance with the provisions of the Companies Ordinance.

A Director may:

(a) hold any other office or place of profit under our Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as the Directors may determine and may be paid such extra remuneration for so doing as the Directors may determine, either in addition to or in lieu of any remuneration provided for by or pursuant to the Articles of Association;

(b) act by himself or his firm in a professional capacity for our Company (other than as Auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; and

(c) continue to be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or in which our Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to our Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by our Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favor of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors or officers of such company) and any Director may vote in favor of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be appointed a director or officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the provisions of the Companies Ordinance, no Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any contract, transaction or arrangement entered into by or on behalf of our Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit, remuneration or other benefits realized by any such contract, transaction or arrangement by reason only of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall duly declare the nature and extent of his interest in any contract, transaction or arrangement in accordance with the Articles of Association.

A Director shall not vote (or be counted in the quorum) on any resolution of the Board in respect of any contract or transaction or arrangement or proposal in which he or any of his close associates, is to his knowledge, materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to and the Directors may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

(a) the giving by our Company of any security or indemnity to him or any of his close associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(b) the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which he himself or any of his close associates has assumed responsibilities in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of the security;

(c) any proposal concerning an offering of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where he or any of his close associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which he or his close associates are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which he or his close associates are beneficially interested in shares of that company, provided that he and any of his close associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of the share capital of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including:

    (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which he or his close associates may benefit; or

    (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to him, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of him or his close associates any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

(f) any contract or arrangement in which he or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his interest in shares or debentures or other securities of our Company.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director or any of his close associates concerned so far as known to him has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman of the meeting or any of his close associates, such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman so far as known to him has not been fairly disclosed to the Board.

Subject to the provisions of the Companies Ordinance, our Company may by ordinary resolution suspend or relax the provisions of the Articles of association to any extent or ratify any transaction not duly authorized by reason of a contravention of Article of Association.

DIVIDENDS

Subject to the provisions of the Companies Ordinance, our Company may by ordinary resolution declare a dividend to be paid to the members, according to their respective right and interests in the profits, and may fix the time for payment of such dividend, but no such dividend shall exceed the amount recommended by the Directors. No dividend shall be payable except out of the profits or other distributable reserves of our Company.

Unless and to the extent that the Articles of Association or the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls shall be treated as paid on the share.

The Directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the Directors to be justified. If at any time the share capital of our Company is divided into different classes the Directors may resolve to pay such interim dividends in respect of those shares in the capital of our Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividends, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any share having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the payment is justified.

The Board can offer Shareholders the right to choose to receive extra Shares, which are credited as fully paid up, instead of some or all of their cash dividends. The basis of such allotment shall be determined by the Board and the Board shall give notice in writing to the Shareholders of their rights of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective. The Shares allotted shall rank *pari passu* in all respects with the fully paid Shares then in issue save only as regards participation in the relevant dividends or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividends.

The Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend, any of the assets of our Company, and in particular any shares or securities of other companies to which our Company is entitled, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instrument(s) of transfer and other documents on behalf of the persons entitled to the dividends and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Companies Ordinance and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividends and such appointment shall be effective.

UNTRACEABLE SHAREHOLDERS

Without prejudice to the rights of our Company and the provisions under the Articles of Association, our Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

Our Company shall have the power to sell, in such manner as our Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

(a) all cheques or warrants for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorized by the Articles of Association of our Company have remained uncashed for a total of not less than three times;

(b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or otherwise; and

(c) our Company has caused an advertisement to be inserted in an English language newspaper and a Chinese language newspaper giving notice of its intention to sell such shares and has notified the Stock Exchange of such intention and a period of three months has elapsed since the date of such advertisement.

For this purpose, "relevant period" means the period commencing 12 years before the date of publication of the relevant advertisement and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, our Board may authorize any person to transfer the said shares. The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former shareholder for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it, and our Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of our Company or as it thinks fit.

WINDING UP

If our Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. The winding up is subject to the rights of the holders of any shares which may be issued on special terms or conditions.

If our Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie or kind the whole or any part of the assets of our Company and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

INDEMNITY

Subject to the provisions of the Companies Ordinance, every Director, Company Secretary or other officer of our Company shall be entitled to be indemnified out of the assets of our Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in Hong Kong as a private company with limited liability under the predecessor ordinance of the Companies Ordinance (which was in force from time to time before March 3, 2014) on February 19, 1999. Our registered office is at Unit 04, 22/F, Saxon Tower, 78 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong. Our Company will change our company status from a private company to a public company limited by shares from the date on which this prospectus and **GREEN** Application Form (together with the other documents required) are submitted to the Registrar of Companies in Hong Kong following the approval and adoption of the Articles of Association (which will take effect from the date on which this prospectus and **GREEN** Application Form (together with the other documents required) are submitted to the Registrar of Companies in Hong Kong) by our Shareholder(s) by way of resolutions in writing passed on December 8, 2021.

As our Company was incorporated in Hong Kong, we operate subject to the laws of Hong Kong and our constitutive documents which comprise the Articles of Association. A summary of our Articles of Association is set forth in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of the incorporation of our Company on February 19, 1999, the authorized share capital of our Company was HK$1,000 divided into 1,000 shares with a par value of HK$1.00 each. With effect from March 3, 2014, following the Companies Ordinance becoming effective, provisions in our Articles of Association concerning, among other matters, the authorized share capital and par value of Shares were abolished.

The following sets out the changes in our Company's issued share capital within the two years immediately preceding the date of this prospectus:

(i) On March 17, 2021, our Company allotted and issued an aggregate of 5,844,911 Shares. The details of the subscribers are as follows:

Name of Shareholder	Number of Issued Shares
Above Success Developments Limited	24,630
Vision Easy Investments Limited	66,369
Klamm Limited	400,427
Green Hope	1,441,686
Francois D Sicart	11,799
Nanjing Ruxin Enterprise Management Partnership (Limited Partnership)	3,900,000
Total	5,844,911

(ii) On March 25, 2021, our Company allotted and issued an aggregate of 11,670,500 Shares. The details of the subscribers are as follows:

Name of Shareholder	Number of Issued Shares
Nanjing Ningyi Enterprise Management Partnership (Limited Partnership) (南京寧宜企業管理合夥企業(有限合夥))[1]	3,235,250
Nanjing Ninger Enterprise Management Partnership (Limited Partnership) (南京寧邇企業管理合夥企業(有限合夥))[2]	569,450
Nanjing Ningshan Enterprise Management Partnership (Limited Partnership) (南京寧杉企業管理合夥企業(有限合夥))[3]	1,088,050
Nanjing Ningsi Enterprise Management Partnership (Limited Partnership) (南京寧嗣企業管理合夥企業(有限合夥))[4]	674,450
Nanjing Ningwu Enterprise Management Partnership (Limited Partnership) (南京寧梧企業管理合夥企業(有限合夥))[5]	633,250
Nanjing Ningliu Enterprise Management Partnership (Limited Partnership) (南京寧琉企業管理合夥企業(有限合夥))[6]	831,250
Nanjing Ningqi Enterprise Management Partnership (Limited Partnership) (南京寧麒企業管理合夥企業(有限合夥))[7]	712,450
Nanjing Ningba Enterprise Management Partnership (Limited Partnership) (南京寧捌企業管理合夥企業(有限合夥))[8]	974,250
Nanjing Ningjiu Enterprise Management Partnership (Limited Partnership) (南京寧玖企業管理合夥企業(有限合夥))[9]	1,170,050
Nanjing Ningshi Enterprise Management Partnership (Limited Partnership) (南京寧軾企業管理合夥企業(有限合夥))[10]	584,250
Sky Roc Investment Limited[11]	717,700
NP Kun Investment Limited[12]	480,100
Total	11,670,500

Notes:

(1) Nanjing Ningyi Enterprise Management Partnership (Limited Partnership) (南京寧宜企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen Xiaoyuan (陳曉圓) ("**Ms. Chen**"), our representative of securities affairs and an independent third party, as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 14 limited partners, all of which are employees of our Group who are PRC residents. Save for Mr. Hu who is interested in 13.60% as a limited partner, all other limited partners are independent third parties.

(2) Nanjing Ninger Enterprise Management Partnership (Limited Partnership) (南京寧邇企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 40 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(3) Nanjing Ningshan Enterprise Management Partnership (Limited Partnership) (南京寧杉企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 43 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(4) Nanjing Ningsi Enterprise Management Partnership (Limited Partnership) (南京寧嗣企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 44 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(5) Nanjing Ningwu Enterprise Management Partnership (Limited Partnership) (南京寧梧企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 43 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(6) Nanjing Ningliu Enterprise Management Partnership (Limited Partnership) (南京寧琉企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 48 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(7) Nanjing Ningqi Enterprise Management Partnership (Limited Partnership) (南京寧麒企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 41 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(8) Nanjing Ningba Enterprise Management Partnership (Limited Partnership) (南京寧捌企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 47 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(9) Nanjing Ningjiu Enterprise Management Partnership (Limited Partnership) (南京寧玖企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 42 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(10) Nanjing Ningshi Enterprise Management Partnership (Limited Partnership) (南京寧軾企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC for the purpose of an employee incentive arrangement, with Ms. Chen as the sole general partner and executive partner. It has, as of the Latest Practicable Date, 44 limited partners, all of which are employees of our Group who are PRC residents and independent third parties.

(11) Sky Roc Investment Limited is an employee shareholding platform established in the BVI for the purpose of an employee incentive arrangement, with Ms. Zhang as the sole director. It has, as of the Latest Practicable Date, 11 shareholders, all of which are employees of our Group and foreign residents. As of the Latest Practicable Date, out of 7,177 ordinary shares in issue, 1 share is held by Ms. Zhang, 1,130 and 850 shares are held by Mr. Peter John Melrose and Dr. Christian Neuner, respectively, both of which are directors of our subsidiary, and the remaining shares are held by independent third parties.

(12) NP Kun Investment Limited is an employee shareholding platform established in the BVI for the purpose of an employee incentive arrangement, with Ms. Zhang as the sole director. It has, as of the Latest Practicable Date, 3 shareholders, all of whom are employees of our Group and foreign residents. As of the Latest Practicable Date, out of 4,801 ordinary shares in issue, 1 share is held by Ms. Zhang, 2,200 shares are held by Mr. Clancy and 2,600 shares is held by an independent third party.

Other than pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any shares of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company. As at the Latest Practicable Date, our Company had no founder shares, management shares, treasury shares or deferred shares. Save as disclosed above and in "– 3. Resolutions in Writing of all our Shareholders passed on December 8, 2021" below, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. Resolutions in Writing of the Shareholders of our Company passed on December 8, 2021

Pursuant to the written resolutions passed by the Shareholders on December 8, 2021, it was resolved, among others:

(a) the Articles of Association were adopted in substitution of and to the exclusion of the existing articles of association of our Company with effect from the date on which this prospectus and **GREEN** Application Form (together with the other documents required) are submitted to the Registrar of Companies in Hong Kong;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the Offer Price being determined, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option;

(ii) the grant of the Over-allotment Option by our Company to the International Underwriters, exercisable by the Joint Representatives, pursuant to which the Joint Representatives (on behalf of the International Underwriters) may require our Company to allot and issue up to an aggregate of additional 10,787,400 Shares to cover, among others, the over-allocation in the International Offering was approved; and

(iii) the proposed Listing was approved and our Directors were authorized to implement the Listing.

(c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that number of Shares allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (iii) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the resolution and (iv) a specific authority granted by the shareholders of our Company in general meeting, shall not exceed the aggregate of (i) 20% of the total number of the Shares of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (ii) the total number of the Shares repurchased by the Company (if any) under the general mandate to repurchase Shares as approved by the resolution as described in paragraph (d) and the said approval shall be limited accordingly, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of our next annual general meeting; (ii) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (iii) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

(d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with a total number of not more than 10% of the total number of the Shares of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect during the Applicable Period; and

(e) the general unconditional mandate mentioned in paragraph (c) above be extended by the addition to the total number of issued Shares of our Company which may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of its Shares. See the section headed "History, Reorganization and Corporate Structure" in this prospectus for details.

5. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" and below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

(i) Nanjing Chervon Industry

On December 10, 2019, the registered capital of Nanjing Chervon Industry was increased from USD121,111,111 to USD131,111,111.

On March 25, 2021, the registered capital of Nanjing Chervon Industry was increased from USD131,111,111 to USD141,111,111.

On July 1, 2021, the registered capital of Nanjing Chervon Industry was increased from USD141,111,111 to USD144,073,464.

(ii) Flex Verwaltungs GmbH & Co. KG

On February 19, 2020, the limited partnership capital contribution of Flex Verwaltungs GmbH & Co. KG was increased from EUR16,000,500 to EUR EUR19,000,500.

(iii) Chervon Industry (Vietnam) Company Limited

On January 21, 2020, Chervon Industry (Vietnam) Company Limited was incorporated by our Company as a single member limited liability in Vietnam with a registered share capital of 46,600,000,000 Vietnamese Dong.

(iv) FLEX Power Tools Limited

On November 9, 2020, FLEX Power Tools Limited was incorporated by our Company as a private limited company in the United Kingdom with a registered share capital of 50,000 Great British Pound.

(v) Chervon NZ Subsidiary Limited

On May 3, 2021, Chervon NZ Subsidiary Limited was incorporated by our Company as a limited liability company in New Zealand with 100 issued shares.

6. Repurchases of Our Own Securities

This section sets out the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction. Pursuant to the resolutions in writing of our Shareholders passed on December 8, 2021, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with a total number not exceeding 10% of the total number of Shares of our Company in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of the Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Listing Rules and the applicable laws and regulations of Hong Kong, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Listing Rules and the applicable laws and regulations of Hong Kong, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or our gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share Capital

The exercise in full of the Repurchase Mandate, on the basis of 479,431,411 Shares in issue immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 47,943,141 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations from time to time in force in Hong Kong. Our Company has not repurchased any Shares since our incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced may require a further waiver from the Stock Exchange in relation to the Listing Rules requirements regarding the public float of the Company. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) an investment construction agreement dated May 26, 2021 entered into between Nanjing Chervon Industry and Nanjing Jiangning Economic and Technological Development Management Committee* (南京江寧經濟技術開發區管理委員會) pursuant to which Nanjing Chervon Industry agreed to invest in the project involving the construction of an intelligent manufacturing industrial base in the area designated by Nanjing Jiangning Economic and Technological Development Management Committee;

(b) a cornerstone investment agreement dated December 15, 2021 entered into among the Company, Value Partners Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(c) a cornerstone investment agreement dated December 15, 2021 entered into among the Company, Greenwoods Asset Management Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(d) a cornerstone investment agreement dated December 15, 2021 entered into among the Company, Dragon Billion China Master Fund, Dragon Billion Select Master Fund, LMA SPC, solely on behalf of the Map 147 Segregated Portfolio, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(e) a cornerstone investment agreement dated December 15, 2021 entered into among the Company, 3W Fund Management Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(f) a cornerstone investment agreement dated December 15, 2021 entered into among the Company, IvyRock Asset Management (HK) Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(g) a cornerstone investment agreement dated December 15, 2021 entered into among the Company, Ms. Luo Jinhong (駱錦紅), China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(h) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business.

(a) *Trademarks*

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Application Date/ Registration Date	Expiry Date
1.	EGO	7	Nanjing Chervon Industry	PRC	14073719	August 14, 2015	August 13, 2025
2.	EGO	7	Nanjing Chervon Industry	PRC	11967986	March 21, 2015	March 20, 2025
3.	POWER BEYOND BELIEF	7	Chervon (China) Trading Co., Ltd.	PRC	12966079	January 14, 2015	January 13, 2025
4.	POWER BEYOND BELIEF	9	Chervon (China) Trading Co., Ltd.	PRC	12966077	January 7, 2015	January 6, 2025
5.	EGO	7	Nanjing Chervon Industry	PRC	38165412	August 21, 2020	August 20, 2030
6.	EGO	7	Chervon HK	U.S.	4502915	March 25, 2014	March 25, 2024
7.	EGO	7	Chervon HK	U.S.	5271419	August 22, 2017	August 22, 2027
8.	ARC LITHIUM	9	Chervon HK	U.S.	5142417	February 14, 2017	February 14, 2027
9.	POWER BEYOND BELIEF.	7, 9	Chervon HK	U.S.	4633515	November 4, 2014	November 4, 2024
10.	EGO	7, 9	Chervon HK	United Kingdom	UK00912933461	October 27, 2014	June 3, 2024
11.	ARC LITHIUM	9	Chervon HK	European Union	014039028	August 13, 2020	May 8, 2025
12.	ARC LITHIUM	9	Chervon HK	United Kingdom	UK00914485106	December 1, 2015	August 19, 2025
13.	KEEP COOL	9	Chervon HK	European Union	014485106	December 1, 2015	August 19, 2025
14.	KEEP COOL	7	Nanjing Chervon Industry	European Union	1454252	December 17, 2018	December 17, 2028
15.	KEEP COOL	7	Nanjing Chervon Industry	United Kingdom	UK00801454252	August 13, 2019	December 17, 2028
16.	EGO	7	Chervon HK	Australia	1533176	December 24, 2012	December 24, 2022
17.	KEEP COOL	9	Nanjing Chervon Industry	Australia	1996114	March 15, 2019	March 15, 2029

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Application Date/ Registration Date	Expiry Date
18.	SKILSAW	7	Nanjing Chervon Industry	PRC	358031	August 20, 1989	August 19, 2029
19.	SKIL	7	Nanjing Chervon Industry	PRC	864226	August 21, 1996	August 20, 2026
20.	SKIL	7	Nanjing Chervon Industry	PRC	11070572	August 21, 2014	August 20, 2024
21.	SKIL	9	Nanjing Chervon Industry	PRC	15486341	January 28, 2016	January 27, 2026
22.	SKIL	8	Nanjing Chervon Industry	PRC	4738912	April 21, 2008	April 20, 2028
23.	SKIL	7	Nanjing Chervon Industry	PRC	32860165	May 7, 2019	May 6, 2029
24.	SKIL	9	Nanjing Chervon Industry	PRC	32853134	June 7, 2020	June 6, 2030
25.	SKILSAW	7	Nanjing Chervon Industry	PRC	34643073	August 7, 2019	August 6, 2029
26.	SKILSAW	9	Nanjing Chervon Industry	PRC	34633781	August 7, 2019	August 6, 2029
27.	SKILSAW	11	Nanjing Chervon Industry	PRC	34636710	August 7, 2019	August 6, 2029
28.	SKIL	7, 9, 11	Nanjing Chervon Industry	U.S.	6171839	October 13, 2020	February 5, 2029
29.	SKILSAW	7, 9, 11	Nanjing Chervon Industry	U.S.	6160713	September 29, 2020	June 17, 2029
30.	SKIL	I.C. 7	Nanjing Chervon Industry	U.S.	5216208	June 6, 2017	June 6, 2027
31.	SKIL	7, 9, 11	Nanjing Chervon Industry	European Union	1477907	February 5, 2019	February 5, 2029
32.	SKIL	7, 9, 11	Nanjing Chervon Industry	United Kingdom	UK00801477907	December 20, 2019	February 5, 2029
33.	SKILSAW	7, 9, 11	Nanjing Chervon Industry	United Kingdom	UK00801492551	March 19, 2020	June 17, 2029
34.	Skil	7	Nanjing Chervon Industry	United Kingdom	UK00000845055	February 13, 1963	February 13, 2028
35.	SKIL	8	Nanjing Chervon Industry	United Kingdom	UK00000925361	May 16, 1968	May 16, 2023
36.	SKIL	10	Nanjing Chervon Industry	United Kingdom	UK00000925362	May 16, 1968	May 16, 2023
37.	SKILSAW	7	Nanjing Chervon Industry	United Kingdom	UK00000631269	September 1, 1944	September 1, 2027
38.	SKIL	7, 9, 11	Nanjing Chervon Industry	Australia	2024032	March 18, 2020	February 5, 2029

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Application Date/ Registration Date	Expiry Date
39.	SKIL	7	Nanjing Chervon Industry	Australia	125226	October 13, 1955	October 13, 2027
40.	SKILSAW	7	Nanjing Chervon Industry	Australia	49254	January 5, 1928	January 5, 2028
41.	SKILSAW	8	Nanjing Chervon Industry	Australia	243812	January 5, 1928	January 5, 2028
42.	FLEX	7, 8, 9	Flex-Elektrowerkzeuge GmbH	European Union	18031906	October 3, 2019	March 6, 2029
43.	FLEX	7, 8, 9	Flex-Elektrowerkzeuge GmbH	United Kingdom	UK00918031906	October 3, 2019	March 6, 2029
44.	FLEX	7, 8, 9	Flex-Elektrowerkzeuge GmbH	European Union	18064502	October 3, 2019	May 14, 2029
45.	FLEX	7, 8, 9	Flex-Elektrowerkzeuge GmbH	United Kingdom	UK00918064502	October 3, 2019	May 14, 2029
46.	FLEX Das Original	7, 8, 9	Flex-Elektrowerkzeuge GmbH	European Union	18064503	October 3, 2019	May 14, 2029
47.	FLEX Das Original	7, 8, 9	Flex-Elektrowerkzeuge GmbH	United Kingdom	UK00918064503	October 3, 2019	May 14, 2029
48.	FLEX	7, 8, 9	Flex-Elektrowerkzeuge GmbH	United Kingdom	UK00900123521	May 3, 1999	April 1, 2026
49.	Flex	7	Flex-Elektrowerkzeuge GmbH	PRC	G653831	March 14, 2016	March 13, 2026
50.	FLEX Das Original	7, 8, 9	Flex-Elektrowerkzeuge GmbH	United Kingdom	UK00801238965	January 14, 2016	June 12, 2024
51.	大有	7	Nanjing Chervon Industry	PRC	4417301	October 7, 2008	October 6, 2028
52.	大有	8	Nanjing Chervon Industry	PRC	4424907	August 21, 2007	August 20, 2027
53.	大有	44	Nanjing Chervon Industry	PRC	4417300	July 28, 2008	July 27, 2028
54.	大有工具	7	Nanjing Chervon Industry	PRC	4816341	November 7, 2008	November 6, 2028
55.	大有工具	9	Nanjing Chervon Industry	PRC	4816342	May 7, 2009	May 6, 2029
56.	大有	7	Nanjing Chervon Industry	PRC	6795132	February 7, 2012	February 6, 2022
57.	大有	8	Nanjing Chervon Industry	PRC	6795243	September 21, 2010	September 20, 2030
58.	大有	9	Nanjing Chervon Industry	PRC	6795242	February 21, 2011	February 20, 2031
59.	大有工具	7	Nanjing Chervon Industry	PRC	6795241	August 28, 2011	August 27, 2031
60.	大有工具	8	Nanjing Chervon Industry	PRC	6795240	September 21, 2010	September 20, 2030

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Application Date/ Registration Date	Expiry Date
61.	大有工具	9	Nanjing Chervon Industry	PRC	6795239	February 21, 2011	February 20, 2031
62.	DEVON	7	Nanjing Chervon Industry	PRC	4417289	August 21, 2007	August 20, 2027
63.	DEVON	8	Nanjing Chervon Industry	PRC	4424904	December 14, 2007	December 13, 2027
64.	DEVON	7	Nanjing Chervon Industry	PRC	4816339	June 7, 2008	June 6, 2028
65.	DEVON	9	Nanjing Chervon Industry	PRC	4816340	April 7, 2009	April 6, 2029
66.	DEVON	7	Nanjing Chervon Industry	PRC	6752664	May 28, 2014	May 27, 2024
67.	DEVON	8	Nanjing Chervon Industry	PRC	6752663	April 21, 2014	April 20, 2024
68.	大有	3	Nanjing Chervon Industry	PRC	42276048	September 28, 2020	September 27, 2030
69.	大有	7	Nanjing Chervon Industry	PRC	42260480	January 14, 2021	January 13, 2031
70.	大有	8	Nanjing Chervon Industry	PRC	42260488	August 7, 2020	August 6, 2030
71.	大有	9	Nanjing Chervon Industry	PRC	42279558	November 28, 2020	November 27, 2030
72.	DEVON	7	Chervon (China) Trading Co., Ltd.	Malaysia	8012395	June 25, 2008	June 25, 2028
73.	DEVON	8	Chervon (China) Trading Co., Ltd.	Malaysia	8012396	June 25, 2008	June 25, 2028
74.	DEVON	9	Chervon (China) Trading Co., Ltd.	Malaysia	8012397	June 25, 2008	June 25, 2028
75.	DEVON	7	Chervon (China) Trading Co., Ltd.	Indonesia	IDM000255962	July 2, 2010	June 27, 2028
76.	DEVON	9	Chervon (China) Trading Co., Ltd.	Indonesia	IDM000232936	January 14, 2010	June 27, 2028
77.	DEVON	9	Chervon (China) Trading Co., Ltd.	Indonesia	IDM000245309	April 30, 2010	June 27, 2028
78.	DEVON	7, 8, 9	Chervon (China) Trading Co., Ltd.	Vietnam	132972	September 9, 2009	July 7, 2028
79.	DEVON	7	Chervon (China) Trading Co., Ltd.	Thailand	ค326439	July 24, 2008	July 23, 2028
80.	小强	7	Nanjing Chervon Industry	PRC	11447700	February 7, 2014	February 6, 2024
81.	小强	8	Nanjing Chervon Industry	PRC	11447701	February 7, 2014	February 6, 2024
82.	小强	9	Nanjing Chervon Industry	PRC	11447702	June 14, 2014	June 13, 2024

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Application Date/ Registration Date	Expiry Date
83.	X-Tron	7	Nanjing Chervon Industry	PRC	11447699	February 7, 2014	February 6, 2024
84.	小强	7	Nanjing Chervon Industry	PRC	11544055	April 28, 2014	April 27, 2024
85.	小强	9	Nanjing Chervon Industry	PRC	11544054	May 14, 2014	May 13, 2024
86.	XTRON	7	Nanjing Chervon Industry	PRC	11544056	March 7, 2014	March 6, 2024
87.	XTRON	9	Nanjing Chervon Industry	PRC	11544057	April 14, 2014	April 13, 2024

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

(i) Multiple safety protection system technology of battery pack (電池包多重安全保護系統技術)

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
1.	Electric tool and battery pack combination (電動工具和電池包的組合)	Invention	PRC	Nanjing Chervon Industry	ZL201610465239.5	June 23, 2016	March 8, 2019	June 22, 2036
			European Union	Chervon HK	EP3109927B1	June 24, 2016	December 4, 2019	June 24, 2036
			U.S.	Chervon HK	US10097015B2	June 23, 2016	October 9, 2018	June 23, 2036
2.	Battery pack, battery pack and electric tool composition, and method for connecting battery pack and electric tool (電池包及其與電動工具的組合和連接它們的方法)	Invention	PRC	Nanjing Chervon Industry	ZL201510471534.7	August 4, 2015	August 6, 2019	August 3, 2035
			European Union	Chervon HK	EP3138663B1	July 25, 2016	January 8, 2020	July 25, 2036
			U.S.	Chervon HK	US10476067B2	July 28, 2016	November 12, 2019	August 2, 2037
			U.S.	Chervon HK	US10964990B2	September 6, 2019	March 30, 2021	July 28, 2036
3.	Control circuit and method for manipulating a power tool (電動工具控制電路及其操作方法)	Invention	PRC	Nanjing Chervon Industry	ZL201010199754.6	June 9, 2010	September 9, 2015	June 8, 2030
			U.S.	Chervon HK	US8841871B2	June 7, 2011	September 23, 2014	November 16, 2032

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
4.	Direct current system (一種直流系統)	Invention	PRC	Nanjing Chervon Industry	ZL201110055218.3	March 8, 2011	February 25, 2015	March 7, 2031
			U.S.	Chervon HK	US8963497B2	February 27, 2012	February 24, 2015	March 9, 2033
			U.S.	Chervon HK	US9548614B2	January 15, 2015	January 17, 2017	February 27, 2032
			U.S.	Chervon HK	US9979208B2	December 5, 2016	May 22, 2018	February 27, 2032
5.	Charger (充電器)	Invention	PRC	Nanjing Chervon Industry	ZL201010514214.2	October 21, 2010	March 12, 2014	October 20, 2030
			United Kingdom	Chervon HK	GB2484773B	August 10, 2011	September 11, 2013	August 10, 2031
			U.S.	Chervon HK	US9252463B2	August 10, 2011	February 2, 2016	December 11, 2033
6.	Charging system (充電系統)	Invention	PRC	Nanjing Chervon Industry	ZL201110039840.5	October 21, 2010	June 11, 2014	October 20, 2030
7.	Cooling charging device and method for battery pack (電池包的冷卻充電裝置及方法)	Invention	PRC	Nanjing Chervon Industry	ZL201310140954.8	April 22, 2013	September 7, 2016	April 21, 2033
			Germany	Chervon HK	DE202014100391U1	January 29, 2014	April 14, 2014	January 31, 2024
			U.S.	Chervon HK	US9608461B2	September 23, 2013	March 28, 2017	October 11, 2034
8.	Battery pack, charging assembly and electric tool (電池包、充電組合和電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201410841100.7	December 30, 2014	August 29, 2017	December 29, 2034
			United Kingdom	Chervon HK	GB2524363B	December 30, 2014	December 30, 2020	December 30, 2034
			U.S.	Chervon HK	US9726731B2	December 26, 2014	August 8, 2017	March 19, 2035
9.	Battery pack, charging combination, electric tool and disconnection detection method (電池包、充電組合、電動工具以及斷線檢測方法)	Invention	PRC	Nanjing Chervon Industry	ZL201410841937.1	December 30, 2014	December 29, 2017	December 29, 2034
10.	Battery pack, charging combination, electric tool and disconnection detection method (電池包、充電組合、電動工具以及斷線檢測方法)	Invention	PRC	Nanjing Chervon Industry	ZL201410844719.3	December 30, 2014	January 19, 2018	December 29, 2034

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
11.	Charging system and charging method thereof (充電系統及其充電方法)	Invention	PRC	Nanjing Chervon Industry	ZL201410512459.X	September 29, 2014	January 31, 2020	September 28, 2034
12.	Cell packet and electric tool employing cell packet (一種電池包及採用該電池包的電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201410513244.X	September 29, 2014	January 31, 2020	September 28, 2034
13.	Charging system (一種充電系統)	Invention	PRC	Nanjing Chervon Industry	ZL201410514023.4	September 29, 2014	January 4, 2019	September 28, 2034
14.	Cell packet and charging method thereof, and electric tool employing cell packet (一種電池包及其充電方法以及採用該電池包的電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201410514417.X	September 29, 2014	January 4, 2019	September 28, 2034
15.	Battery pack (電池包)	Invention	PRC	Nanjing Chervon Industry	ZL201410844534.2	December 30, 2014	August 29, 2017	December 29, 2034
			Germany	Chervon HK	DE202014106293U1	December 29, 2014	April 8, 2015	December 31, 2024
			U.S.	Chervon HK	US10103365B2	December 26, 2014	October 16, 2018	August 20, 2035
			European Union	Nanjing Chervon Industry	EP3079182B1	December 30, 2014	September 5, 2018	December 30, 2034
16.	Battery pack, charger and electric tool (電池包、充電器和充電組合)[1]	Invention	PRC	Nanjing Chervon Industry	ZL201410848912.4	December 30, 2014	December 29, 2017	December 29, 2034
17.	Wearable battery pack (可穿戴的電池包)	Invention	PRC	Nanjing Chervon Industry	ZL201710938714.0	September 30, 2017	September 1, 2020	September 29, 2037
			European Union	Nanjing Chervon Industry	EP3540813B1	December 31, 2017	May 19, 2021	December 31, 2037
			U.S.	Nanjing Chervon Industry	US10998596B2	May 28, 2019	May 4, 2021	January 5, 2038
18.	Battery pack and charging combination (電池包及充電組合)	Invention	PRC	Nanjing Chervon Industry	ZL201910188119.9	March 13, 2019	March 5, 2021	March 12, 2039

(ii) Battery temperature precise control technology (電池溫度精確控制技術)

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
19.	Direct-current system (一種直流系統)	Invention	PRC	Nanjing Chervon Industry	ZL201110055219.8	March 8, 2011	February 25, 2015	March 7, 2031
20.	Cordless tool system (直流系統)	Invention	PRC	Nanjing Chervon Industry	ZL201110055533.6	March 8, 2011	June 10, 2015	March 7, 2031
21.	Battery pack provided with heat dissipation system (具有散熱系統的電池包)	Invention	PRC	Nanjing Chervon Industry	ZL201310234632.X	June 13, 2013	March 20, 2018	June 12, 2033
			Germany	Chervon HK	DE202014102744U1	June 13, 2014	September 8, 2014	June 30, 2024
			France	Chervon HK	FR3007212B3	June 13, 2014	September 25, 2015	June 13, 2024
			United Kingdom	Chervon HK	GB2517551B	June 13, 2014	March 31, 2021	June 13, 2034
22.	Battery pack (電池包)	Invention	PRC	Nanjing Chervon Industry	ZL201510047351.2	January 29, 2015	April 19, 2019	January 28, 2035
23.	Electric tool and control method thereof (電動工具及其控制方法)	Invention	PRC	Nanjing Chervon Industry	ZL201610389158.1	June 2, 2016	May 26, 2020	June 1, 2026
			U.S.	Nanjing Chervon Industry	US10277064B2	November 29, 2017	April 30, 2019	June 3, 2036
			European Union	Nanjing Chervon	EP3288147B1	June 3, 2016	May 6, 2020	June 3, 2036

(iii) High salient-pole rate permanent magnet synchronous motor (高凸極率永磁同步電機)

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
24.	Rotor punching sheet (轉子沖片)	Invention	PRC	Nanjing Chervon Industry	ZL201611062894.2	November 25, 2016	June 14, 2019	November 24, 2036
			European Union	Nanjing Chervon Industry	EP3297130B1	August 29, 2017	July 17, 2019	August 29, 2037

(iv) AC brushless technology (交流無刷技術)

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
25.	Angle grinder (角磨機)	Invention	PRC	Nanjing Chervon Industry	ZL201610782108.X	August 29, 2016	January 31, 2020	August 28, 2036
			U.S.	Nanjing Chervon Industry	US10717182B2	August 14, 2017	July 21, 2020	June 8, 2038
			European Union	Nanjing Chervon Industry	EP3290157B1	August 16, 2017	July 24, 2019	August 16, 2037
26.	Angle grinder (角磨機)	Invention	PRC	Nanjing Chervon Industry	ZL201610747943.X	August 29, 2016	January 31, 2020	August 28, 2036
27.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201810665129.2	June 26, 2018	December 1, 2020	June 25, 2038
			U.S.	Nanjing Chervon Industry	US10898985B2	April 22, 2020	January 26, 2021	August 3, 2038
28.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201810665144.7	June 26, 2018	October 16, 2020	June 25, 2038
29.	Angle grinder and electrical tool (角磨及電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201810665470.8	June 26, 2018	October 23, 2020	June 25, 2038
30.	Angle grinder and electrical tool (角磨及電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201810673985.2	June 26, 2018	December 1, 2020	June 25, 2038
31.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201710975100.X	October 19, 2017	April 7, 2020	October 18, 2037
32.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201710975190.2	October 19, 2017	April 7, 2020	October 18, 2037
33.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201710975196.X	October 19, 2017	April 7, 2020	October 18, 2037
34.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201710975236.0	October 19, 2017	April 7, 2020	October 18, 2037
35.	Electrical tool (電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201710978649.4	October 19, 2017	April 7, 2020	October 18, 2037

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
36.	Power tool and control method thereof (電動工具及電動工具的控制方法)	Invention	PRC	Nanjing Chervon Industry	ZL201710978650.7	October 19, 2017	September 20, 2019	October 18, 2037
			U.S.	Nanjing Chervon Industry	US10972023B2	April 22, 2019	April 6, 2021	October 25, 2037

(v) Riding vehicle technology (騎乘式車輛技術)

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
37.	Riding lawn mower and operation device thereof (騎乘式割草機的操作裝置以及騎乘式割草機)	Invention	PRC	Nanjing Chervon Industry	ZL201810690046.9	June 28, 2018	March 5, 2021	June 27, 2038

(vi) Intelligent control and protection technology (智能控制及保護技術)

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
38.	Grass cutter capable of protecting operation and safety switch mechanism thereof (具有操作保護的割草機及其安全開關機構)	Invention	PRC	Nanjing Chervon Industry	ZL201210387914.9	October 15, 2012	November 25, 2015	October 14, 2032
			U.S.	Chervon HK	US10070588B2	August 29, 2016	September 11, 2018	October 10, 2034
			U.S.	Chervon HK	US9060463B2	August 8, 2013	June 23, 2015	November 20, 2033
			U.S.	Chervon HK	US9596806B2	October 10, 2014	March 21, 2017	October 10, 2034
			U.S.	Chervon HK	US9826686B2	August 29, 2016	November 28, 2017	October 10, 2034
			U.S.	Chervon HK	US9986686B2	August 29, 2016	June 5, 2018	October 10, 2034
			U.S.	Chervon HK	US9888627B2	October 8, 2013	February 13, 2018	June 21, 2034
39.	Lawncare apparatus (園林工具)(2)	Invention	PRC	Nanjing Chervon Industry	ZL201410167041.X	April 23, 2014	November 30, 2016	April 22, 2034
40.	Mower with operation protection, and safety switch mechanism thereof (具有操作保護的割草機及其安全開關機構)(2)	Invention	PRC	Nanjing Chervon Industry	ZL201410626445.0	October 15, 2012	January 19, 2018	October 14, 2032

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
41.	Control circuit and power tool (制動電路及電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201711087633.0	November 8, 2017	July 17, 2020	November 7, 2037
			U.S.	Nanjing Chervon Industry	US10892691B2	August 6, 2019	January 12, 2021	February 13, 2038
			European Union	Nanjing Chervon Industry	EP3567716B1	February 13, 2018	September 9, 2020	February 13, 2038
42.	Control circuit applicable to motor and electric tool (適用於電機的控制電路和電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201711391174.5	December 21, 2017	September 20, 2019	December 20, 2037
43.	Electric tool and controlling method thereof (電動工具及其控制方法)	Invention	PRC	Nanjing Chervon Industry	ZL201310188867.X	May 20, 2013	August 3, 2016	May 19, 2033
			United Kingdom	Chervon HK	GB2514485B	April 28, 2014	July 1, 2020	April 28, 2034
			U.S.	Chervon HK	US9707671B2	April 29, 2014	July 18, 2017	December 8, 2035
44.	Power tool and control method thereof (電動工具及其控制方法)	Invention	PRC	Nanjing Chervon Industry	ZL201510662263.3	October 14, 2015	January 31, 2020	October 13, 2035
			U.S.	Chervon HK	US9936634B2	October 11, 2016	April 10, 2018	October 11, 2036
			European Union	Chervon HK	EP3155887B1	October 11, 2016	March 4, 2020	October 11, 2036
45.	Electric tool with blade replaced safely (可安全換刀片的電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201110261714.4	September 6, 2011	August 21, 2013	September 5, 2031
			U.S.	Chervon HK	US8893390B2	August 28, 2012	November 25, 2014	July 3, 2033
46.	Electric tool with blade replaced safely (可安全換刀片的電動工具)	Invention	PRC	Nanjing Chervon Industry	ZL201310276693.2	September 6, 2011	April 27, 2016	September 5, 2031
47.	Electric screwdriver (電動螺絲批)	Invention	PRC	Nanjing Chervon Industry	ZL201410521101.3	September 30, 2014	April 19, 2017	September 29, 2034
			Germany	Chervon HK	DE202015103607U1	July 9, 2015	July 27, 2015	July 31, 2025
			United Kingdom	Chervon HK	GB2530826B	March 31, 2015	December 16, 2020	March 31, 2035
			U.S.	Chervon HK	US10272548B2	March 21, 2017	April 30, 2019	March 31, 2035
			U.S.	Chervon HK	US9440339B2	March 31, 2015	September 13, 2016	March 31, 2035

No.	Title of Patent	Type	Place of registration	Registered Owner	Patent no./ Publication no.	Application Date	Publication Date	Expiry Date
			U.S.	Chervon HK	US9630302B2	August 1, 2016	April 25, 2017	March 31, 2035
48.	Electric screwdriver (電動螺絲批)	Invention	PRC	Nanjing Chervon Industry	ZL201410523472.5	September 30, 2014	September 7, 2016	September 29, 2034
49.	Electric screwdriver (電動螺絲批)	Invention	PRC	Nanjing Chervon Industry	ZL201410523473.X	September 30, 2014	April 19, 2017	September 29, 2034
50.	Electric tool and control circuit thereof (電動工具及其控制電路)	Invention	PRC	Nanjing Chervon Industry	ZL201510584010.9	September 14, 2015	March 8, 2019	September 13, 2035
			European Union	Chervon HK	EP3142219B1	September 12, 2016	May 23, 2018	September 12, 2036
			U.S.	Chervon HK	US9716448B2	September 9, 2016	July 25, 2017	September 9, 2036

Notes:

(1) Its overseas patent families are identical to the ones disclosed in item 15 above, including DE202014106293U1, US10103365B2 and EP3079182B1.

(2) Its overseas patent families are identical to the ones disclosed in item 38 above, including US10070588B2, US9060463B2, US9596806B2, US9826686B2, US9986686B2 and US9888627B2.

(c) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	chervon.com.cn	Chervon (China) Trading Co., Ltd	April 16, 1998	April 16, 2023
2.	devon.com.cn	Chervon (China) Tool Sales	March 31, 2005	March 31, 2023
3.	skil.com.cn	Chervon (China) Tool Sales	January 14, 2011	January 14, 2022

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interests of our Directors and the Chief Executive of our Company

Immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

		Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	
Name of Director	**Nature of interest**[(1)]	**Number of Shares held**	**Approximate percentage of shareholding interest**[(2)]
Mr. Pan	Interest in controlled corporation[(3)]	260,226,344	54.28%
Ms. Zhang	Interest in controlled corporation[(4)]	98,835,550	20.62%
Mr. Ke	Interest in controlled corporation[(5)]	27,118,822	5.66%
Mr. Clancy	Interest in controlled corporation[(6)]	480,100	0.10%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 479,431,411 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(3) These Shares are held by Panmercy, which is wholly owned by Mr. Pan. Mr. Pan is deemed to be interested in these Shares for the purposes of the SFO. For details, see the section headed "Substantial Shareholders" in this prospectus.

(4) These Shares include (i) 97,637,750 Shares held by Green Hope, which is wholly owned by Ms. Zhang and (ii) 1,197,800 Shares held by two offshore employee shareholding platforms pursuant to an employee incentive arrangement, of which Ms. Zhang is the sole director. Ms. Zhang is deemed to be interested in these Shares for the purposes of the SFO. See the sections headed "Substantial Shareholders" and "History, Reorganization and Corporate Structure – Establishment of employee shareholding platforms and issue and allotment of Shares pursuant to an employee incentive arrangement" in this prospectus for details.

(5) These Shares are held by Klamm, which is wholly owned by Mr. Ke. Mr. Ke is deemed to be interested in these Shares for the purposes of the SFO.

(6) These Shares are held by NP Kun Investment Limited, one of the offshore employee shareholding platforms pursuant to an employee incentive arrangement, which is owned as to 46% by Mr. Clancy. Mr. Clancy is deemed to be interested in these Shares for the purposes of the SFO. See the section headed "History, Reorganization and Corporate Structure – Establishment of employee shareholding platforms and issue and allotment of Shares pursuant to an employee incentive arrangement" in this prospectus for details.

(ii) Interest in our associated corporations

Name of Director	**Nature of interest**	**Name of the associated corporation/ subsidiary**	**Approximate percentage of shareholding interest**
Mr. Pan	Beneficial owner	Panmercy	100%
	Interest in controlled corporation	Chervon Global	66.72%
		Chervon Assets Management Holdings Limited	56.71%
		Chervon Investment Limited	56.71%
		Chervon Capital Management Limited	56.71%
		Chervon Assets Holdings Limited	66.72%
		Chervon Management Services	66.72%
		Chervon International Trading	56.71%
		Jiuhao Electromechanical	66.72%
		Chervon Precision Technology	61.38%

Name of Director	Nature of interest	Name of the associated corporation/ subsidiary	Approximate percentage of shareholding interest
		Chervon Auto Precision Technology	36.70%
Ms. Zhang	Interest in controlled corporation	Chervon Global	24.67%
		Chervon Assets Management Holdings Limited	20.97%
		Chervon Investment Limited	20.97%
		Chervon Capital Management Limited	20.97%
		Chervon Assets Holdings Limited	24.67%
		Chervon Management Services	24.67%
		Chervon International Trading	20.97%
		Jiuhao Electromechanical	24.67%
		Chervon Precision Technology	22.70%
		Chervon Auto Precision Technology	13.72%
Mr. Ke	Interest in controlled corporation	Chervon Global	6.85%
		Chervon Assets Management Holdings Limited	5.82%
		Chervon Investment Limited	5.82%
		Chervon Capital Management Limited	5.82%
		Chervon Assets Holdings Limited	6.85%
		Chervon Management Services	6.85%
		Chervon International Trading	5.82%
		Jiuhao Electromechanical	6.85%
		Chervon Precision Technology	6.30%
		Chervon Auto Precision Technology	3.79%

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors or chief executive(s) are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company.

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from December 8, 2021. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, discretionary bonuses, allowances, benefits in kind, and contributions to pension schemes) paid to our Directors for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 were US$1.7 million, US$1.7 million, US$1.9 million and US$0.6 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending December 31, 2021 to be approximately US$1,849,000.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in "– D. Other Information – 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor any of the persons listed in "– D. Other Information – 5. Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with Underwriting Agreements, none of the persons listed in "– D. Other Information – 5. Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in in the section headed "Business – Legal Proceedings and Compliance", no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors are entitled to a fee of US$1,000,000 for acting as our sponsors in connection with the Global Offering which is to be split equally between the Joint Sponsors.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Citigroup Global Markets Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Jia Yuan Law Offices	PRC Legal Adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "– D. Other Information – 5. Qualification of Experts" above in this prospectus has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report(s) and/or letter(s) and/or legal opinion(s) (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

We did not incur any material preliminary expenses.

9. Taxation of holders of Shares

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.13% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises marked with "*" are provided for identification purposes only.

12. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the 24 months immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(vi) our Company has no outstanding convertible debt securities or debentures; and

(vii) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.

(c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 6. Consents of Experts" in Appendix IV to this prospectus.

2. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **https://global.chervongroup.com** up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association of our Company;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information prepared by KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021;

(e) the PRC legal opinions issued by Jia Yuan Law Offices, our PRC legal advisers in respect of certain aspects of the PRC law;

(f) the industry report issued by Frost & Sullivan, our industry consultant;

(g) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(h) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 6. Consents of Experts" in Appendix IV to this prospectus; and

(i) service contracts and letters of appointment referred to in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Directors' Service Contracts and Letters of Appointment" in Appendix IV to this prospectus.

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