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**Chervon Holdings Limited**  
**泉峰控股有限公司**

(Incorporated in Hong Kong with limited liability)  
 (Stock Code: 2285)

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FINANCIAL HIGHLIGHTS**

	Year ended December 31 2022	2021	Year-over- year changes
	<i>in US\$ thousands</i>		
Revenue	1,989,280	1,757,784	13.2%
Gross profit	603,873	494,508	22.1%
Profit before taxation	161,390	176,098	(8.4)%
Profit for the year	139,278	149,721	(7.0)%
Non-HKFRSs measure: Adjusted Net Profit	151,311	125,037	21.0%
Earnings per share			
Basic (US\$)	0.28	0.36	(22.2)%
Diluted (US\$)	0.28	0.36	(22.2)%

- Revenue in 2022 amounted to US\$1,989.3 million, representing an increase of 13.2% as compared to US\$1,757.8 million in 2021. During the same years, revenue grew by 15.1% in local currency.
- Profit for the year in 2022 amounted to US\$139.3 million, representing a decrease of 7.0% as compared to US\$149.7 million in 2021.
- Adjusted Net Profit in 2022 amounted to US\$151.3 million, representing an increase of 21.0% as compared to US\$125.0 million in 2021.

**FINAL DIVIDEND**

- The Board has recommended the payment of a final dividend of US\$0.0718 per ordinary share (equivalent to HK\$0.5600 per ordinary share) for the year ended December 31, 2022 (2021: US\$0.0715 per ordinary share (equivalent to HK\$0.5577 per ordinary share)).

The board (the “**Board**”) of directors (the “**Directors**”) of Chervon Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results (“**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**,” “**we**,” “**us**” or “**our**”) for the year ended December 31, 2022 (the “**Reporting Period**”) together with the comparative figures for the year ended December 31, 2021 as set out below. The Annual Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## **BUSINESS OVERVIEW AND OUTLOOK**

### **Business Overview**

We are pleased to announce that in 2022 we have achieved strong results and further expanded our overall competitive advantages, despite ongoing market challenges and uncertainties. The Group's revenue grew by 13.2% from US\$1,757.8 million in 2021 to US\$1,989.3 million in 2022, significantly outperforming the market and further strengthening our industry leadership position. During the same year, our Original Brand Manufacturing (“**OBM**”) business grew by 22.1%. In local currency, the Group's revenue increased by 15.1%. Our sales continued to grow after more than doubling from 2018 to 2021, reflecting the robustness of our business. Extraordinary growth of revenue from our outdoor power equipment (“**OPE**”) products drove our overall revenue increase, and we believe it will position us well for future development.

Our OPE segment delivered strong revenue growth of 41.5% from US\$864.6 million in 2021 to US\$1,223.5 million in 2022, reflecting our continued innovation and leadership in the lithium-ion market segment. Our power tools segment decreased by 14.7% from US\$885.2 million in 2021 to US\$754.9 million in 2022, mainly due to slower market demand and customer destocking. We will continue investing in new product initiatives in order to gain market share, especially in the lithium-ion and industrial/professional market segments.

### ***Introducing new products grounded in advanced technology and end-user insights***

Leveraging our research and development capabilities, we continued to develop new products in-house and drive industry transformations. In 2022, we introduced over 200 new products in total, and lithium-ion battery powered products accounted for approximately 85% of the new products. We believe our comprehensive portfolio of innovative products can fuel our continued growth in the years to come.

Our *EGO*-branded products significantly contributed to our growth in 2022, and we continued to build on its market strengths. Our flagship *EGO Z6* Zero-turn riding lawn mower won the “2022 China Excellent Industrial Design Gold Medal” and the “China Machinery Industry Science and Technology” awards, which is a testament to its superior design and innovation. Under the *EGO* brand, we also brought to market an advanced trimmer product featuring the world's first LINE IQ™ auto-sensing technology that can monitor and feed the length of the line for a continuous 16-inch cutting swath, while delivering non-stop high performance trimming.

We continued strengthening the *FLEX* product portfolio in 2022, which marked the 100th anniversary of this legendary brand. For example, we launched the Stack Pack™ products under the *FLEX* brand, which provide a storage system that includes tool boxes, organizer boxes and battery holders, among others. Having been recognized by our customers and end-users, the STACK PACK™ products won the Year 2022 Power Tool Innovation Award, which honors products with superior, innovative features and technologies.

Furthermore, we partnered with a leading e-commerce platform to launch the *Denali* by *SKIL*, a co-branded line of power tools that can run on an interoperable 20V lithium-ion battery system.

### ***Increasing end-user recognition for our brand portfolio***

Leveraging our end-user insights, advanced technologies and global sales and distribution network, we continued to increase end-user recognition for our proprietary brands in their respective markets during the Reporting Period. Our five well-recognized and differentiated brands comprehensively cover industrial/professional and consumer power tools and premium and mass-market OPE products, which we believe will support our continued growth. Revenue from our OBM business grew by 22.1% from US\$1,132 million in 2021 to US\$1,381.8 million in 2022, and accounted for 69.5% of our total revenue in 2022 (2021: 64.4%), demonstrating the strengths of our proprietary brands. As of December 31, 2022, the number of our *EGO*-branded lithium-ion battery platforms sold globally increased to approximately 12 million, which attests to our strong brand image and customer loyalty and significantly broadens our end-user base. We also expanded the geographic reach of *SKIL* products to South Korea and Thailand, which is a milestone for our business expansion in the Asia market and helps promote our brand awareness and global market influence.

### ***Enhancing our multi-channel sales and distribution network***

During the Reporting Period, we continued expanding our touchpoints for end-users by enhancing our global multi-channel sales and distribution network across key markets, including North America, Europe, Oceania and Asia. We continued deepening our collaboration with leading home centers and mass market retailers, and strengthening our partnership with qualified distributors and local retailers to diversify our sales channels and promote brand recognition. We also significantly expanded distributor channels across North America and Europe for our *EGO*-branded products. Additionally, we have further enhanced our online sales channels by collaborating with e-commerce platforms and operating our own e-stores.

## ***Improving our manufacturing technologies and production management capabilities, and expanding our production capacity***

During the Reporting Period, we continued to advance our manufacturing technologies and production management capabilities, including making long-term investments in our vertically integrated manufacturing system. For example, we continued building the smart production lines in the *CHERVON Green Power Industrial Park Phase II* (泉峰新能源工業園二期) and expect that they will commence operations in the first half of 2023. Equipped with advanced automation technologies, the smart production lines will also help improve manufacturing efficiency.

Furthermore, we continued to promote the application of industrial engineering and quality control technologies in our production lines, while improving the level of automation and transparency in our manufacturing process by horizontally integrating our information technology systems. During the Reporting Period, our upgraded *CHERVON Testing Center* commenced operations, which provide us with advanced, industry-leading testing capabilities and demonstrate our commitment to maintaining high standards for product quality.

## ***Implementing management transformation efforts***

During the Reporting Period, we continued to invest in promoting process-based and data-driven management transformation initiatives, including adopting advanced management tools and hiring top-level consulting services, to strengthen the strategic planning and execution capabilities of our organization. We believe that the improvement of such capabilities will help promote our operational efficiency and support our sustainable growth in the long term.

## ***Impact of the COVID-19 Pandemic***

During the Reporting Period, the coronavirus disease 2019 (“**COVID-19**”) pandemic has affected our operations and supply chain (including transportation time and costs) from time to time as a result of the People’s Republic of China (“**PRC**”) government-imposed restrictive measures. In December 2022, many of such restrictive measures have been terminated or replaced with more flexible measures. During the same month, we experienced temporary disruptions at our factories in Nanjing, PRC when certain of our employees confirmed with COVID-19 infections and were absent from work. We have resumed normal operations since the beginning of 2023. We believe that the COVID-19 pandemic has not had a material adverse impact on our results of operations in 2022. However, we cannot assure you that the COVID-19 pandemic will not have a material adverse effect on our business going forward. Any future outbreak of the COVID-19 pandemic or a contagious disease may have a material adverse effect on our business, financial condition or results of operations.

## **Prospects**

As we look ahead to 2023, macroeconomic uncertainty continues to cast a shadow over global markets. However, despite the challenges, we are confident that the Company will be able to outperform the market by continuously focusing on our core strengths and maintaining a flexible approach. To drive sustainable long-term growth, we will continue to develop lithium-ion battery powered new products, expand our multi-channel sales and distributions network, enhance brand recognition, expand production capacities and improve operational efficiency and invest in human capital development. We will endeavor to consistently outperform the market and deliver superior results for our shareholders, employees and communities in a socially and environmentally responsible manner.

## **FINANCIAL REVIEW**

### **Financial Results**

#### ***Revenue***

The Group's revenue increased by 13.2% from US\$1,757.8 million in 2021 to US\$1,989.3 million in 2022, primarily due to the extraordinary growth of revenue from our OPE products.

#### ***Revenue by product category***

Revenue from the sales of OPE products increased by 41.5% from US\$864.6 million in 2021 to US\$1,223.5 million in 2022, primarily driven by the increased sales of our *EGO*-branded OPE products across key markets and *SKIL*-branded OPE products in North America, as well as the expansion of our ODM business for our OPE products with a key customer.

Revenue from the sales of power tools decreased by 14.7% from US\$885.2 million in 2021 to US\$754.9 million in 2022, after several years of rapid growth, mainly due to slower market demand and customer destocking.

#### ***Revenue by geographic location***

Our revenue generated from North America, our largest geographic market, increased by 26.3% from US\$1,187.4 million in 2021 to US\$1,499.9 million in 2022, primarily due to the growth in the sales of our *EGO*-branded products. Our revenue from Europe decreased by 21.5% from US\$404.2 million in 2021 to US\$317.2 million in 2022, primarily due to decreases in revenue from power tools and ODM business, as well as depreciation in euro against US dollars. Our revenue from China decreased by 5.7% from US\$105.5 million in 2021 to US\$99.5 million in 2022, primarily due to the impact of the COVID-19 pandemic and a downturn in local real estate markets in the PRC. Our revenue from rest of the world grew by 19.6% from US\$60.7 million in 2021 to US\$72.6 million in 2022.

#### ***Gross Profit and Gross Profit Margin***

Our gross profit increased by 22.1% from US\$494.5 million in 2021 to US\$603.9 million in 2022. During the same years, our overall gross profit margin increased from 28.1% to 30.4%, primarily due to (i) growth in our OBM business which had higher profit margins and (ii) depreciation of Renminbi (“**RMB**”) against US dollars in 2022.

### ***Other Revenue***

Our other revenue, which primarily consisted of government grants, sale of scrap materials and rental income, amounted to US\$7.0 million in 2022, as compared to US\$5.2 million in 2021.

### ***Other Net Loss or Gain***

We had other net losses of US\$52.3 million in 2022, as compared to other net gains of US\$37.9 million in 2021. Our other net loss in 2022 was primarily attributable to (i) a net foreign exchange loss of US\$15.5 million mainly driven by fluctuations in foreign exchange rates, (ii) a net unrealized loss on convertible bonds of US\$15.3 million, which was related to the convertible bonds issued by 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**”) that we hold and (iii) a net realized and unrealized loss on derivative financial instruments of US\$23.3 million, which was mainly related to our foreign currency forward contracts.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 9.5% from US\$195.5 million in 2021 to US\$214.0 million in 2022, primarily due to our strategic investments in marketing activities to improve brand recognition and maintain the momentum of sales growth.

### ***Administrative and Other Operating Expenses***

Our administrative and other operating expenses decreased by 13.3% from US\$103.6 million in 2021 to US\$89.8 million in 2022, primarily due to the impact of costs and expenses in connection with our initial public offering in 2021.

### ***Research and Development Costs***

Our research and development costs increased by 30.9% from US\$50.2 million in 2021 to US\$65.7 million in 2022, primarily due to the Group’s accelerated investments in research and development and new product initiatives, including hiring top engineering talents and establishing our Beijing, PRC-based research and development center.

### ***Net Finance Costs***

Our net finance costs increased by 34.0% from US\$16.6 million in 2021 to US\$22.3 million in 2022, primarily due to higher US dollar-denominated interest rates in connection with our supply chain financing.

### ***Share of (Losses)/Profits of Associates***

We had a share of losses of associates of US\$5.5 million in 2022, as compared to a share of profits of associates of US\$4.4 million in 2021, which were primarily attributable to our 24.5% equity interest in Chervon Auto Precision Technology.

### ***Profit Before Taxation***

As a result of the foregoing, our profit before taxation in 2022 amounted to US\$161.4 million, representing a decrease of 8.4% as compared to US\$176.1 million in 2021.

### ***Income Tax Expense***

Our income tax expense was US\$22.1 million in 2022, representing a decrease of 16.3% from US\$26.4 million in 2021. Our effective tax rate was 13.7% in 2022, as compared to 15.0% in 2021, primarily due to (i) the status of Nanjing Chervon Industry Co., Ltd (南京泉峰科技有限公司) (“**Nanjing Chervon Industry**”) as a High and New Technology Enterprise (國家高新技術企業), which is entitled to an enterprise income tax rate of 15% and (ii) additional tax benefits afforded under favorable government policies that encourage research and development activities.

### ***Profit For The Year***

As a result of the foregoing, our profit for the year decreased by 7.0% from US\$149.7 million in 2021 to US\$139.3 million in 2022. Our net profit margin decreased from 8.5% to 7.0% during the respective years.

### ***Non-HKFRSs Measures: Adjusted Net Profit***

To supplement our consolidated results which are prepared and presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), we utilize non-HKFRSs adjusted net profit (“**Adjusted Net Profit**”) as an additional financial measure. We derive Adjusted Net Profit from profit for the year by excluding (i) listing expenses, (ii) gain on disposal of associates, (iii) gain on disposal of a subsidiary, (iv) net unrealized gains on convertible bonds and (v) income tax effects of non-HKFRSs adjustments.

Adjusted Net Profit is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRSs measures when shown in conjunction with the corresponding HKFRSs measures provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operations, by eliminating any potential impact of items that our management does not consider to be indicative of our operating performance such as the impact of certain investment transactions. We also believe that the non-HKFRSs measures are appropriate for evaluating the Group’s operating performance. However, the use of this particular non-HKFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for the analysis of, our results of operations or financial conditions as reported under HKFRSs. In addition, this non-HKFRSs financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the year:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Profit for the period	<b>139,278</b>	149,721
Add:		
Listing expenses	–	7,873
Loss on disposal of associates <sup>(1)</sup>	–	677
(Gain) on disposal of a subsidiary <sup>(2)</sup>	–	(21,969)
Net unrealized losses/(gains) on convertible bonds <sup>(3)</sup>	<b>15,280</b>	(19,230)
Income tax effects of non-HKFRSs adjustments <sup>(4)</sup>	<b>(3,247)</b>	7,965
	<hr/>	<hr/>
<b>Adjusted Net Profit</b>	<b>151,311</b>	125,037
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (1) Represents the loss on disposal of our interests in Nanjing Suquan Investment Co., Ltd. (南京蘇泉投資管理有限公司) in 2021.
- (2) Represents the gain on disposal of our interests in Nanjing Jiu hao Electromechanical Industry Co., Ltd. (南京玖浩機電實業有限公司) (“**Jiu hao Electromechanical**”) in 2021.
- (3) Represents the net unrealized losses or gains on our investment in the convertible bonds issued by Chervon Auto Precision Technology.
- (4) Represents income tax effects of non-HKFRSs adjustments.

## **Liquidity and Financial Resources**

### ***Financial Position***

The Group continued to maintain a strong financial position. As of December 31, 2022, the Group had US\$466.7 million in cash and cash equivalents (December 31, 2021: US\$665.0 million), including approximately HK\$2,053.0 million (equivalent to US\$263.1 million) in remaining net proceeds from our initial public offering. 32.1%, 62.1%, 1.4% and 4.4% of the cash and cash equivalents as of December 31, 2022 were denominated in RMB, US dollar, euro and other currencies, respectively.

### ***Funding and Treasury Policy***

The Group’s funding and finance policy aims to maintain stable financial position and mitigate financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.



### ***Borrowings and Gearing Ratio***

As of December 31, 2022, the Group had bank loans of US\$329.5 million (December 31, 2021: US\$433.6 million), which were primarily denominated in RMB, and lease liabilities of US\$22.0 million (December 31, 2021: US\$23.2 million). As of the same date, fixed-rate and floating-rate loans account for 59% and 41%, respectively, of the Group's total bank loans.

As of December 31, 2022, short-term bank loans and current portion of long-term bank loans collectively accounted for 58.5% of the total bank loans (December 31, 2021: 98.0%).

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 0.6 as of December 31, 2021 to 0.4 as of December 31, 2022.

### ***Working Capital***

The Group's inventories amounted to US\$600.0 million as of December 31, 2022 as compared to US\$592.0 million as of December 31, 2021. Our inventory turnover days increased to 157 days in 2022, as compared to 127 days in 2021, primarily due to a higher level of inventory that we carried to meet customer needs.

The Group's trade and bills receivables turnover days were at 47 days in 2022, as compared to 56 days in 2021, which is in line with the credit terms we granted to our customers. We will continue to manage our credit exposure in a prudent manner.

The Group's trade and bills payables turnover days were 106 days in 2022, as compared to 110 days in 2021, which is driven by a decrease in the Group's trade and bills payables as we managed the pace of our raw material and inventory purchases.

### ***Capital Expenditures***

Our capital expenditures in 2022 amounted to US\$72.2 million (2021: US\$81.2 million), primarily due to the expansion of our production capacity.

### ***Capital Commitments***

As of December 31, 2022, our capital commitments (including those contracted for and authorized but not contracted for) for the construction of plant and buildings and acquisition of machinery and equipment amounted to US\$428.2 million (2021: US\$467.7 million) primarily for the expansion of our production capacity.

### ***Pledge of Assets***

During the Reporting Period, certain assets of the Group were pledged as security for bank loans, as further detailed below:

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Plant and buildings	<b>48,145</b>	44,226
Leasehold land	<b>22,779</b>	25,487
Intangible assets	<b>1,162</b>	1,459
Inventories	<b>177,596</b>	124,040
Trade and bills receivables	<b>78,862</b>	81,562
Pledged deposits	<b>31,340</b>	26,524
Other assets	<b>7,923</b>	4,252
	<hr/>	<hr/>
Total	<b>367,807</b>	307,550
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As of December 31, 2022, the Group had pledged deposits of US\$36.5 million (December 31, 2021: US\$48.3 million), which will be released upon the settlement of letters of credit and bills payable and by the Group or the expiry of relevant banking facilities.

### ***Contingent Liabilities***

During the Reporting Period, the Group issued guarantees to financial institutions in the PRC for certain indebtedness of our independent third-party customers, who are typically qualified distributors of ours in the PRC. As of December 31, 2022, the maximum guarantee amount was US\$7.9 million (December 31, 2021: US\$10.0 million) and the guarantee issued was US\$1.3 million (December 31, 2021: US\$2.1 million).

## Significant Investments Held

Details of the Group's significant investments with a carrying amount of 5% or more of the Company's total assets as of December 31, 2022 are set forth in the table below.

Investment	Investment cost as of December 31, 2022 <i>US\$'000</i>	Carrying amount as of December 31, 2022 <i>US\$'000</i>	Carrying amount as percentage of total assets as of December 31, 2022 %	Fair value as of December 31, 2022 <i>US\$'000</i>	Fair value as percentage of total assets as of December 31, 2022 %	Performance (share of loss/net unrealized loss) for the year ended December 31, 2022 <i>US\$'000</i>	Total amount of dividends received for the year ended December 31, 2022 <i>US\$'000</i>
<b>Chervon Auto Precision Technology</b>							
- Equity interest	81,753	106,566	5.7	188,314	10.1	(5,490)	510
- Convertible bonds	17,015	20,019	1.1	20,019	1.1	(15,280)	-
<b>Total</b>	<b>98,768</b>	<b>126,585</b>	<b>6.8</b>	<b>208,333</b>	<b>11.2</b>	<b>(20,770)</b>	<b>510</b>

As of December 31, 2022, the Company, through Chervon (China) Investment Co., Ltd. (泉峰(中國)投資有限公司) (“**Chervon (China) Investment**”), holds (i) 64,671,068 shares, representing approximately 24.5% equity interest, of Chervon Auto Precision Technology and (ii) certain convertible bonds issued by Chervon Auto Precision Technology. Chervon Auto Precision Technology is principally engaged in the production, sales and research and development of automotive power systems and relevant components. Chervon Auto Precision Technology was established in the PRC with limited liability on March 19, 2012 and its shares are listed on the Shanghai Stock Exchange (stock code: 603982.SH).

As of December 31, 2022, the investment cost in connection with our equity interest in Chervon Auto Precision Technology amounted to US\$81.8 million. As of the same date, the fair value of such equity interest amounted to US\$188.3 million, which accounted for 10.1% of our total assets as of December 31, 2022. During the Reporting Period, we had a share of losses of associates of US\$5.5 million, as compared to a share of profits of associates of US\$4.4 million in 2021, in connection with our equity interest in Chervon Auto Precision Technology. During the same period, the dividends we received from Chervon Auto Precision Technology in connection with our equity interest amounted to US\$0.5 million (2021: US\$0.5 million).

As of December 31, 2022, the investment cost in connection with our purchase of the convertible bonds issued by Chervon Auto Precision Technology amounted to US\$17.0 million. As of the same date, the fair value of our investment in such convertible bonds we hold amounted to US\$20.0 million, which accounted for 1.1% of our total assets as of December 31, 2022. During the Reporting Period, we incurred net unrealized losses on convertible bonds of US\$15.3 million, compared to net unrealized gains on convertible bonds of US\$19.2 million in 2021, in connection with such convertible bonds we hold. During the Reporting Period, we did not receive any dividends from Chervon Auto Precision Technology in connection with such convertible bonds we hold (2021: nil).

We will continue to monitor our investments in Chervon Auto Precision Technology and explore opportunities to monetize such investments if appropriate market opportunities arise. For further details, please refer to the section headed “—Material Acquisitions and Disposals of Subsidiaries and Associates” in this announcement.

Except as disclosed above, during the Reporting Period, the Group did not hold any significant investments (including any investment in an investee company with a carrying amount of 5% or more of the Company’s total assets as of December 31, 2022).

### **Material Acquisitions and Disposals of Subsidiaries and Associates**

On January 28, 2022, Chervon (China) Investment, a subsidiary of the Company, entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which Chervon (China) Investment agreed to conditionally subscribe for the A shares of Chervon Auto Precision Technology through a nonpublic offering (the “**Proposed Subscription**”) with a total subscription amount up to RMB500.0 million (US\$78.4 million equivalent) (the “**Maximum Subscription Amount**”). Pursuant to the Subscription Agreement, the final total number of A shares of Chervon Auto Precision Technology to be subscribed shall represent not more than 10% of the enlarged total issued share capital of Chervon Auto Precision Technology upon completion of the non-public offering (the “**Maximum Subscription Threshold**”). Chervon Auto Precision Technology is an associate of Panmercy Holdings Limited (a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company) and a connected person of the Company.

On March 30, 2022, Chervon (China) Investment and Chervon Auto Precision Technology entered into a supplemental subscription agreement to the Subscription Agreement, pursuant to which the parties agreed to include a supplemental provision to the Subscription Agreement that, subject to the Maximum Subscription Amount and the Maximum Subscription Threshold, the minimum number of A shares to be conditionally subscribed for by Chervon (China) Investment will be not less than 15% and not more than 30% of the actual number of A shares of Chervon Auto Precision Technology to be issued through the non-public offering, while other terms and conditions of the Subscription Agreement remain unchanged and in full force and effect in all respects.

On November 17, 2022, Chervon (China) Investment and Chervon Auto Precision Technology entered into a final subscription agreement (the “**Final Subscription Agreement**”) further to the Subscription Agreement and the Supplemental Subscription Agreement. Pursuant to the Final Subscription Agreement, Chervon (China) Investment agreed to subscribe for 18,111,068 A shares of Chervon Auto Precision Technology to be issued through non-public offering at a price of RMB19.76 per share with a total subscription amount of RMB357,874,703.68. The subscription price per share is finally determined based on the results of enquiry.

The Company, through Chervon (China) Investment, currently holds 24.5% of the equity interest in Chervon Auto Precision Technology as of the date of this announcement. Upon completion of the Proposed Subscription, Chervon Auto Precision Technology will not become a subsidiary of Chervon (China) Investment.

Please refer to the Group's announcements on January 28, 2022, March 30, 2022 and November 24, 2022 for further details regarding the transactions.

Save as disclosed above, during the Reporting Period, the Group did not have material acquisitions or disposals of subsidiaries or associates.

### **Future Plans for Major Investments and Capital Assets**

During the Reporting Period, save for the expansion plans as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus of the Company dated December 17, 2021 (the "**Prospectus**"), the Group has no specific plans for major investment or acquisition for major capital assets or other businesses.

### **Exposure to Fluctuations in Foreign Exchange Rates**

The Group manufactures and sells its products in many countries throughout the world. As a result, there is exposure to foreign currency risk as the Group enters into transactions and make investments denominated in multiple currencies. For example, changes in currency exchange rates may affect the relative prices at which the Group and its competitors sell products in the same market and the costs of products and services the Group requires for its operations. The Group's predominant exposures are in US dollar, Euro and RMB. The Group is subject to risks arising from the translation of balance sheets and income statements of its subsidiaries to US dollars as well as the risk arising from the export of products and sales outside the country of manufacturing.

The Group enters into foreign exchange forward contracts with financial institutions to mitigate its exposures to fluctuations in foreign exchange rates. Fluctuations in the foreign exchange rates may lead to losses resulting from the Group's exposure to foreign exchange forward contracts or similar arrangements. Our net foreign exchange loss in 2022 amounted to US\$15.5 million (2021: US\$14.1 million). Our net realized and unrealized loss on derivative financial instruments (which primarily include foreign exchange forward contracts) in 2022 was US\$23.3 million, as compared to net realized and unrealized gain on derivative financial statement of US\$10.1 million in 2021.

### **Investment Risk Management**

Our investment strategy is grounded in the principles of compliance, prudence, safety and effectiveness. 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.

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended December 31, 2022, the Group's largest customer and five largest customers accounted for approximately 49.8% and 70.5% (2021: 40.9% and 64.7%) respectively of the Group's total revenue; and the Group's largest supplier and five largest suppliers accounted for approximately 10.8% and 27.9% respectively of the Group's total purchases (2021: 9.3% and 14.7%).

As far as the Directors are aware, none of the Directors, their associates or any shareholders of the Company ("**Shareholders**") who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

## **HUMAN RESOURCES**

The number of employees of the Group was 6,990 as of December 31, 2022 (December 31, 2021: 6,732). The total staff costs for the Reporting Period amounted to US\$214.4 million as compared to US\$189.5 million in 2021. We did not incur equity settled share-based expenses during the Reporting Period.

The Group is committed to hiring, retaining and promoting top talents across its global teams. As part of its retention strategy, the Group offers competitive remuneration packages to its employees, including salary and allowances, performance-based bonuses and long term incentive programs. The Group also provides regular and specialized training tailored to the needs of its employees in different departments.

As of December 31, 2022, the male-to-female ratio of the Group's employees is approximately 1.55 to 1. The ratio is primarily driven by the nature of our business as we employ a higher portion of male engineers and front-line workers. While we consider such ratio to be in line with industry norms, we are firmly committed to offering equal employment opportunities to all qualified candidates based on merits and will seek to achieve relative balance between male and female employees going forward.

## **OTHER INFORMATION**

### **USE OF NET PROCEEDS FROM OUR INITIAL PUBLIC OFFERING**

The Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 30, 2021 (the "**Listing Date**"). The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from our initial public offering, including the full exercise of the over-allotment option, of approximately HK\$3,470.1 million (the "**Net Proceeds**").

As stated in the Prospectus, the intended uses and the balance of the Net Proceeds are set out below:

<b>Intended use of Net Proceeds</b>	<b>Allocation of Net Proceeds</b>	<b>Percentage of total Net Proceeds</b>	<b>Amount of Net Proceeds utilized up to December 31, 2022</b>	<b>Balance of Net Proceeds unutilized as of December 31, 2022</b>	<b>Intended timeframe for use of the unutilized Net Proceeds</b>
Expanding and upgrading production facilities	HK\$2,307.6 million	66.5%	HK\$254.6 million	HK\$2,053.0 million	Before December 31, 2024
Researching and developing products	HK\$312.3 million	9.0%	HK\$312.3 million	–	Before December 31, 2024
Enhancing sales and distribution channels	HK\$242.9 million	7.0%	HK\$242.9 million	–	Before December 31, 2024
Paying interest-bearing bank borrowings	HK\$260.3 million	7.5%	HK\$260.3 million	–	Before December 31, 2024
Working capital and other general corporate purposes	HK\$347.0 million	10.0%	HK\$347.0 million	–	Before December 31, 2024
<b>Total</b>	<b>HK\$3,470.1 million</b>	<b>100.0%</b>	<b>HK\$1,417.1 million</b>	<b>HK\$2,053.0 million</b>	

The unutilized Net Proceeds are primarily placed in licensed banks in PRC and Hong Kong as of the date of this announcement. The Group intends to utilize the Net Proceeds in accordance with the intended purposes and timelines as set out in the Prospectus.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of US\$0.0718 per ordinary share (equivalent to HK\$0.5600 per ordinary share) for the year ended December 31, 2022 (2021: US\$0.0715 per ordinary share (equivalent to HK\$0.5577 per ordinary share)). This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting of the Company (the “AGM”) to be held on Friday, June 2, 2023, and will be paid to those Shareholders whose names appear on the Company’s register of members as of Monday, June 12, 2023.

## CLOSURE OF REGISTER OF MEMBERS/RECORD DATE

The register of members of the Company will be closed from Tuesday, May 30, 2023 to Friday, June 2, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, May 29, 2023.

Record date for determining the entitlement of the Shareholders to the final dividend (if approved by the Shareholders in the AGM) is Monday, June 12, 2023. To qualify for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, June 7, 2023. The register of members of the Company will be closed from Thursday, June 8, 2023 to Monday, June 12, 2023, both days inclusive, on which dates no share transfers will be registered.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance.

During the Reporting Period, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision.

Code provision C.2.1 in Part 2 of the CG Code, 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 Longquan ("**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.



## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period and up to the date of this announcement.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## EVENT AFTER THE REPORTING PERIOD

The following significant event took place subsequent to December 31, 2022:

### **Placing of Existing Shares and Top-Up Subscription of New Shares under General Mandate**

Unless otherwise defined, capitalized terms used in this section have the same meanings as those defined in the announcement of the Company dated January 12, 2023.

On January 12, 2023 (before trading hours), the Company, Panmercy, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company (the “**Seller**”) and China International Capital Corporation Hong Kong Securities Limited (the “**Placing Manager**”) entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”), pursuant to which, (a) the Seller has agreed to appoint the Placing Manager, and the Placing Manager has agreed to act as an agent of the Seller and to procure purchasers to purchase on a best efforts basis, an aggregate of up to 20,835,000 existing Shares (the “**Sale Shares**”) at the price of HK\$37.50 per Sale Share (the “**Placing Price**”); and (b) the Seller has agreed to subscribe for, and the Company has agreed to allot and issue to the Seller, an aggregate of up to 20,835,000 new Shares (the “**Subscription Shares**”) at the price of HK\$37.50 per Subscription Share (being the same as the Placing Price), in each case upon the terms and subject to the conditions set out in the Placing and Subscription Agreement (the “**Placing and Subscription**”). The closing price per Share as quoted on the Hong Kong Stock Exchange as at January 11, 2023 was HK\$42.40.

The Directors are of the view that the Placing and Subscription will benefit the Group’s long term development and broaden the shareholder base and capital base of the Group to facilitate future growth and development of its business, as well as to increase the liquidity of the Shares. The Directors (including the independent non-executive Directors) are also of view that the Placing and Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Placing and Subscription Agreement, which were arrived at after arm’s length negotiations between the Company, the Seller and the Placing Manager, are fair and reasonable so far as the Shareholders are concerned.

The completion of the Placing and Subscription took place on January 19, 2023 in accordance with the terms and conditions of the Placing and Subscription Agreement, where an aggregate of 20,835,000 Sale Shares were successfully placed to no less than six placees (which are professional, institutional and/or individual investors) (the “Placees”) at the Placing Price of HK\$37.50 for each Sale Share. As all conditions of the Subscription have been fulfilled, the Company allotted and issued 20,835,000 Subscription Shares to the Seller at the Subscription Price on January 19, 2023 in accordance with the terms and conditions of the Placing and Subscription Agreement. The placees (and their respective ultimate beneficial owners) were third parties independent of the Company and its connected persons and no individual placee has become a substantial shareholder of the Company upon the completion of the Placing and Subscription.

The net proceeds from the Subscription (after deducting all fees, costs and expenses incurred by the Company and the Seller in connection with the Placing and the Subscription) amount to approximately HK\$773 million. The net Subscription Price, after deducting such fees, costs and expenses, is therefore approximately HK\$37.12 per Subscription Share. The Board intended to use the net proceeds from the Subscription mainly for the enhancement of sales and distribution channels, research and development of products, upgrade of production facilities, as well as other general working capital purposes. The intended uses and the balance of the net proceeds from the Subscription are set out below:

<b>Intended use of net proceeds</b>	<b>Allocation of net proceeds</b>	<b>Percentage of total net proceeds</b>	<b>Amount of net proceeds utilized up to March 28, 2023</b>	<b>Balance of net proceeds unutilized as of March 28, 2023</b>	<b>Intended timeframe for use of the unutilized net proceeds</b>
Enhancement of sales and distribution channels	HK\$309.2 million	40.0%	HK\$120.0 million	HK\$189.2 million	Before December 31, 2024
Research and development of products	HK\$231.9 million	30.0%	HK\$60.0 million	HK\$171.9 million	Before December 31, 2024
Upgrade of production facilities	HK\$77.3 million	10.0%	HK\$40.0 million	HK\$37.3 million	Before December 31, 2024
Other general working capital purposes	HK\$154.6 million	20.0%	HK\$50.0 million	HK\$104.6 million	Before December 31, 2024
<b>Total</b>	<b>HK\$773.0 million</b>	<b>100.0%</b>	<b>HK\$270.0 million</b>	<b>HK\$503.0 million</b>	

Please refer to the Company's announcements dated January 12, 2023 and January 19, 2023 for further details regarding the placing of existing shares and top-up subscription of new shares under general mandate.

As of the date of this announcement, save as disclosed above, there was no important event affecting the Group which occurred after the end of the Reporting Period.

## **AUDIT COMMITTEE**

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Dr. Li Minghui (Chairperson), Mr. Tian Ming and Mr. Jiang Li. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2022.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <https://global.chervongroup.com>. The annual report of the Company for the year ended December 31, 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By Order of the Board  
**Chervon Holdings Limited**  
**Pan Longquan**  
*Chairman*

Hong Kong, March 28, 2023

*As of the date of this announcement, the Board comprises Mr. Pan Longquan, Ms. Zhang Tong, Mr. Ke Zuqian and Mr. Michael John Clancy as executive Directors; and Mr. Tian Ming, Dr. Li Minghui and Mr. Jiang Li as independent non-executive Directors.*

## RESULTS SUMMARY

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

		Year ended December 31,	
	Note	2022	2021
		US\$'000	US\$'000
<b>Revenue</b>	2	<b>1,989,280</b>	1,757,784
Cost of sales		<u>(1,385,407)</u>	<u>(1,263,276)</u>
<b>Gross profit</b>		<b>603,873</b>	494,508
Other revenue	3	7,038	5,180
Other net (loss)/gain	4	(52,254)	37,887
Selling and distribution expenses		(214,014)	(195,507)
Administrative and other operating expenses		(89,765)	(103,610)
Research and development costs		<u>(65,733)</u>	<u>(50,151)</u>
<b>Profit from operations</b>		<b>189,145</b>	188,307
Net finance costs	5	(22,265)	(16,617)
Share of (losses)/profits of associates		<u>(5,490)</u>	<u>4,408</u>
<b>Profit before taxation</b>	6	<b>161,390</b>	176,098
Income tax expense	7	<u>(22,112)</u>	<u>(26,377)</u>
<b>Profit for the year</b>		<b><u>139,278</u></b>	<b><u>149,721</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		139,369	144,544
Non-controlling interests		<u>(91)</u>	<u>5,177</u>
<b>Profit for the year</b>		<b><u>139,278</u></b>	<b><u>149,721</u></b>
<b>Earnings per share</b>	9		
Basic (US\$)		<u>0.28</u>	<u>0.36</u>
Diluted (US\$)		<u>0.28</u>	<u>0.36</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	<i>Note</i>	<b>Year ended December 31,</b>	
		<b>2022</b>	2021
		<i>US\$'000</i>	<i>US\$'000</i>
<b>Profit for the year</b>		<b>139,278</b>	149,721
<b>Other comprehensive income for the year</b> <b>(after tax adjustments)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability, net of tax		<b>193</b>	46
<i>Item that may be reclassified subsequently</i> <i>to profit or loss:</i>			
Exchange difference on translation of financial statements of subsidiaries with functional currencies other than US dollar		<b>(13,365)</b>	8,131
<b>Other comprehensive income for the year</b>		<b>(13,172)</b>	8,177
<b>Total comprehensive income for the year</b>		<b>126,106</b>	157,898
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>126,197</b>	152,675
Non-controlling interests		<b>(91)</b>	5,223
<b>Total comprehensive income for the year</b>		<b>126,106</b>	157,898

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

		As of December 31,	
	Note	2022	2021
		US\$'000	US\$'000
<b>Non-current assets</b>			
Properties, plants and equipment	10	233,224	193,464
Right-of-use assets		44,631	48,919
Intangible assets		1,162	1,459
Interest in associates	11	106,566	66,492
Prepayments, deposits and other receivables		5,851	12,091
Financial assets at fair value through profit or loss ("FVPL")	12	6,202	6,011
Deferred tax assets		30,879	26,878
		<u>428,515</u>	<u>355,314</u>
		-----	-----
<b>Current assets</b>			
Financial assets at FVPL	12	20,019	38,031
Derivative financial instruments	13	2,288	4,744
Inventories		599,999	592,024
Right to returned goods asset		4,417	3,073
Trade and bills receivables	14	220,220	298,379
Prepayments, deposits and other receivables		78,654	43,303
Taxation recoverable		5,184	7,958
Pledged deposits		36,495	48,340
Cash and cash equivalents		466,713	664,990
		<u>1,433,989</u>	<u>1,700,842</u>
		-----	-----

		As of December 31,	
	Note	2022	2021
		US\$'000	US\$'000
<b>Current liabilities</b>			
Bank loans		192,904	424,948
Derivative financial instruments	13	3,581	155
Lease liabilities		7,583	6,114
Trade and bills payables	15	294,452	513,252
Other payables and accruals	16	177,166	205,404
Taxation payable		9,710	8,251
Warranty provision		19,030	19,655
Refund liabilities from right of return		6,432	4,252
		<u>710,858</u>	<u>1,182,031</u>
<b>Net current assets</b>		<u>723,131</u>	<u>518,811</u>
<b>Total assets less current liabilities</b>		<u>1,151,646</u>	<u>874,125</u>
<b>Non-current liabilities</b>			
Bank loans		136,589	8,698
Lease liabilities		14,460	17,121
Warranty provision		38,059	32,291
Deferred income		3,709	4,150
Defined benefit retirement plans obligation		473	771
Deferred tax liabilities		12,257	14,077
		<u>205,547</u>	<u>77,108</u>
<b>NET ASSETS</b>		<u>946,099</u>	<u>797,017</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	502,654	444,621
Reserves		443,536	352,396
<b>Total equity attributable to equity shareholders of the Company</b>		<u>946,190</u>	<u>797,017</u>
<b>Non-controlling interests</b>		<u>(91)</u>	<u>—</u>
<b>TOTAL EQUITY</b>		<u>946,099</u>	<u>797,017</u>

## NOTES

### 1 GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### General Information

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's shares were listed on the Main Board of the Stock Exchange on the Listing Date.

The Company is an investment holding company. The Group is principally engaged in researching, developing, manufacturing, testing, sales, and after-sale services for power tools, outdoor power equipment and related products.

The financial information relating to the financial years ended December 31, 2021 and 2022 that is included in this announcement does not constitute the Company's statutory annual consolidated financial statements for those financial years 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 (Cap. 622 of the laws of Hong Kong) ("**Companies Ordinance**") is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended December 31, 2022 in due course.
- The Company's auditor has reported on the consolidated financial statements of the Group for the years ended December 31, 2021 and 2022. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

#### Statement of Compliance

These financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The financial information relating to the financial year ended December 31, 2022 that is included in this announcement does not constitute the Company's annual consolidated financial statements for that financial year, but is derived from those financial statements.

#### Changes in Accounting Policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds Before Intended Use; and
- Amendments to HKAS 37, Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract.



None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 REVENUE AND SEGMENT REPORTING

### Segment Information

The Group's reportable segments are as follows:

- 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 and through our ODM business.
- OPE: 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 and through our ODM business.
- Others: sales of parts and components to a home appliances business.

Set forth below is a breakdown of the Group's revenue by reportable segment.

	Year ended December 31,	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Power tools	754,924	885,207
OPE	1,223,527	864,631
Others	10,829	7,946
	<u>1,989,280</u>	<u>1,757,784</u>

### Geographic Information

Set forth below is a breakdown of the Group's revenue by geographic information, which is based on the location of customers.

	Year ended December 31,	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
North America	1,499,907	1,187,353
Europe	317,247	404,210
China	99,490	105,537
Rest of the World	72,636	60,684
	<u>1,989,280</u>	<u>1,757,784</u>

### 3 OTHER REVENUE

Our other revenue in the years ended December 31, 2022 and 2021 mainly comprises of government grants, sale of scrap materials and rental income.

### 4 OTHER NET (LOSS)/GAIN

	Year ended December 31,	
	2022	2021
	US\$'000	US\$'000
Net foreign exchange loss	(15,533)	(14,126)
Net loss on disposal of properties, plants and equipment	(176)	(238)
Net unrealized (loss)/gain on convertible bonds	(15,280)	19,230
Net realized and unrealized gain on financial assets at FVPL other than convertible bonds	1,654	1,190
Net realized and unrealized (loss)/gain on derivative financial instruments	(23,297)	10,129
Loss on disposal of associates	–	(677)
Gain on disposal of a subsidiary	–	21,969
Others	378	410
	<u>(52,254)</u>	<u>37,887</u>

#### Note:

The gain on disposal of a subsidiary in 2021 primarily relates to the sale of our interests in Jiu hao Electromechanical, which engaged in property leasing. As of March 8, 2021, we no longer hold any interest in Jiu hao Electromechanical.

### 5 NET FINANCE COSTS

	Year ended December 31,	
	2022	2021
	US\$'000	US\$'000
Interest income from bank deposits	<u>(3,959)</u>	<u>(1,051)</u>
Finance income	<u>(3,959)</u>	<u>(1,051)</u>
Interest on bank loans	12,267	16,790
Other financing cost	13,005	–
Interest on lease liabilities	<u>952</u>	<u>878</u>
Finance costs	<u>26,224</u>	<u>17,668</u>
Net finance costs	<u>22,265</u>	<u>16,617</u>

## 6 PROFIT BEFORE TAXATION

Year ended December 31,  
**2022**                      2021  
*US\$'000*                      *US\$'000*

Profit before taxation is arrived at after charging:

Net finance costs	22,265	16,617
Staff costs	214,374	189,457
Depreciation charge	35,361	29,578
Amortization of intangible assets	584	296
Research and development costs	65,733	50,151
Provision for impairment loss on trade and other receivables	1,401	278
Provision for write-down of inventories	12,248	4,803
Auditors' remuneration	912	1,514
Listing expenses	–	7,873
Cost of inventories sold	1,394,957	1,265,063
	<b>1,394,957</b>	<b>1,265,063</b>

## 7 INCOME TAX EXPENSE

Taxation in the consolidated statements of profit or loss represents:

Year ended December 31,  
**2022**                      2021  
*US\$'000*                      *US\$'000*

### Current tax

#### *PRC Corporate Income Tax*

Provision for the year	3,034	5,547
Over-provision in respect of prior years	(28)	(56)
	<b>3,006</b>	<b>5,491</b>

#### *Hong Kong Profits Tax*

Provision for the year	16,207	12,627
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#### *Tax jurisdictions outside PRC and Hong Kong*

Provision for the year	8,038	6,696
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### Deferred tax

Origination and reversal of temporary differences	(5,139)	1,563
	<b>(5,139)</b>	<b>1,563</b>

### Total income tax expense

	<b>22,112</b>	<b>26,377</b>
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*Notes:*

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, 2021 and 2022. The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax at a statutory rate of 25%, except for Nanjing Chervon Industry, which obtained the qualification as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% during the years ended December 31, 2021 and 2022 and will be entitled to such preferential income tax rate from 2023 to 2025. Taxation arising from jurisdictions outside PRC and Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

## 8 DIVIDENDS

In the years ended December 31, 2021 and 2022, dividends payable to equity shareholders of the Company attributable to the previous financial years were US\$15,000,000 and US\$35,051,000, respectively.

Subsequent of the end of the Reporting Period, the Board recommended the payment of a final dividend of US\$0.0718 per ordinary share (equivalent to HK\$0.5600 per ordinary share) for the year ended December 31, 2022. This proposed final dividend is subject to the approval of the Shareholders at the forthcoming AGM.

## 9 EARNINGS PER SHARE

### Basic Earnings Per Share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of US\$139,369,000 (2021: US\$144,544,000) and the weighted average of ordinary shares calculated as follows:

### *Weighted Average Number of Ordinary Shares*

	Year ended December 31,	
	2022	2021
Ordinary shares at the beginning of the year	479,431,411	390,000,000
Effect of right issues ( <i>note i</i> )	–	5,781,540
Effect of issuance of ordinary shares under the Share Incentive Scheme	–	9,016,660
Effect of shares issued by initial public offering ( <i>note i</i> )	–	197,030
Effect of shares issued by public offering pursuant to the over-allotment option ( <i>note i</i> )	10,018,982	–
	<u>489,450,393</u>	<u>404,995,230</u>

*Note:*

- (i) For further details regarding the effects of share issuances, please refer to note 17 below.

## Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to the Shareholders of US\$139,369,000 (2021: US\$144,544,000), and the weighted average number of ordinary shares calculated as follows:

### *Weighted Average Number of Ordinary Shares (Diluted)*

	Year ended December 31,	
	2022	2021
Weighted average number of ordinary shares at the end of the year	<b>489,450,393</b>	404,995,230
Effect of equity settled share-based transactions	–	1,800,977
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at the end of the year	<b><u>489,450,393</u></b>	<b><u>406,796,207</u></b>

## 10 ADDITIONS OF PROPERTIES, PLANTS AND EQUIPMENT

During the Reporting Period, the Group spent approximately US\$81.2 million (2021: US\$72.2 million) on the acquisition of property, plant and equipment.

## 11 INTEREST IN ASSOCIATES

Our interest in associates as of December 31, 2022 primarily consisted of our 24.5% interest in Chervon Auto Precision Technology.

## 12 FINANCIAL ASSETS AT FVPL

Our financial assets at FVPL as of December 31, 2022 and 2021 primarily consisted of a life insurance product issued by an independent third-party insurance company and convertible bonds issued by Chervon Auto Precision Technology which are held by the Group for trading purposes.

## 13 DERIVATIVE FINANCIAL INSTRUMENTS

Our derivative financial instruments as of December 31, 2022 and 2021 primarily consisted of foreign currency forward contracts and foreign currency option contracts. We also had an interest rate swap contract as of December 31, 2021.

#### 14 TRADE AND BILLS RECEIVABLES

Trade and bills receivables are typically due within 30 to 180 days from the date of billing. Set forth below is a breakdown of the Group's trade and bills receivables:

	As of December 31,	
	2022	2021
	US\$'000	US\$'000
<b>Trade debtors and bills receivable, net of loss allowance</b>		
– measured at amortized cost		
Trade receivables	168,017	168,880
Bills receivables	1,174	10,945
– measured at fair value through other comprehensive income		
Trade receivables	51,029	118,554
	<u>220,220</u>	<u>298,379</u>

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:

	As of December 31,	
	2022	2021
	US\$'000	US\$'000
Within 6 months	166,216	175,598
Over 6 months but within 12 months	2,650	3,731
Over 12 months	325	496
	<u>169,191</u>	<u>179,825</u>

#### 15 TRADE AND BILLS PAYABLES

Set forth below is a breakdown of the Group's trade and bills payables:

	As of December 31,	
	2022	2021
	US\$'000	US\$'000
Trade payables	271,020	468,073
Bills payable	23,432	45,179
	<u>294,452</u>	<u>513,252</u>

As of the end of the Reporting Period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Within 3 months	220,610	458,426
3 to 12 months	73,842	54,826
	<u>294,452</u>	<u>513,252</u>

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

## 16 OTHER PAYABLES AND ACCRUALS

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b>US\$'000</b>	US\$'000
Other payables and accrued charges ( <i>Note</i> )	134,753	165,628
Salaries, wages, bonus and benefits payable	25,355	28,976
Payables for purchase of properties, plants and equipment	5,393	2,912
Interest payables	449	752
Other tax payables	11,216	7,136
	<u>177,166</u>	<u>205,404</u>

*Note:* Other payables and accrued charges primarily comprise accruals for marketing and advertising fee, utility expenses, service fee and other expenses.

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

## 17 SHARE CAPITAL

	<b>Number of Shares</b>	<b>HK\$'000</b>	<b>US\$'000</b>
<b>Ordinary shares, issued and fully paid:</b>			
At January 1, 2021	390,000,000	390,000	50,279
Issuance of ordinary shares under right issues ( <i>Note i</i> )	5,844,911	5,845	749
Issuance of ordinary shares under the Share Incentive Scheme	11,670,500	55,435	7,107
Issuance of ordinary shares by initial public offering, net of issuance costs ( <i>Note ii</i> )	<u>71,916,000</u>	<u>3,014,591</u>	<u>386,486</u>
At December 31, 2021	479,431,411	3,465,871	444,621
Issuance of ordinary shares by public offering pursuant to the over-allotment option, net of issuance costs ( <i>Note iii</i> )	<u>10,787,400</u>	<u>452,656</u>	<u>58,033</u>
<b>At December 31, 2022</b>	<b><u>490,218,811</u></b>	<b><u>3,918,527</u></b>	<b><u>502,654</u></b>

*Notes:*

- (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 HK\$1.00 to the shareholders.
- (ii) On December 30, 2021, the Company issued 71,916,000 shares at an offer price of HK\$43.60 per share by way of public offering. Net proceeds from these issues amounted to HK\$3,014,591,000 (US\$386,486,000 equivalent) (after offsetting costs directly attributable to the issue of shares of HK\$120,947,000 (US\$15,506,000 equivalent), which were recorded in share capital).
- (iii) On January 26, 2022, the Company issued and allotted additional 10,787,400 shares at an offering price of HK\$43.60 per share by way of public offering pursuant to the over-allotment option. Net proceeds from these issues amounted to HK\$452,656,320 (US\$58,032,862 equivalent) (after offsetting costs directly attributable to the issue of shares of HK\$17,674,320 (US\$2,265,938 equivalent), which were recorded in share capital).

## 18 CAPITAL COMMITMENTS

Capital commitments outstanding at the respective year end not provided for in the consolidated financial statements are as follows:

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Contracted for	2,017	2,203
Authorised but not contracted for	<u>426,228</u>	<u>465,462</u>
	<u><b>428,245</b></u>	<u><b>467,665</b></u>
Represented by:		
Construction of plant and buildings	426,965	461,211
Acquisition of machinery and equipment	<u>1,280</u>	<u>6,454</u>
	<u><b>428,245</b></u>	<u><b>467,665</b></u>