Chervon Holdings Limited
泉峰控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 2285)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND CHANGE OF USE OF NET PROCEEDS FROM GLOBAL OFFERING

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Changes
	2023	2022	
	US$'000	*US$'000*	
Revenue	**738,545**	1,002,021	**(26.3)%**
Gross profit	**237,296**	290,046	**(18.2)%**
Profit before tax	**57,851**	76,456	**(24.3)%**
Profit for the period	**49,051**	63,473	**(22.7)%**
Non-HKFRSs measure:			
Adjusted Net Profit	**49,547**	73,581	**(32.7)%**
Earnings per share			
Basic (US$)	**0.10**	0.13	**(23.1)%**
Diluted (US$)	**0.10**	0.13	**(23.1)%**

- Revenue decreased by 26.3% to US$738.5 million.
- Gross profit margin improved from 28.9% to 32.1%.
- Net profit margin improved from 6.3% to 6.6%.

The board (the "**Board**") of directors (the "**Directors**") of Chervon Holdings Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**we**", "**us**" or "**our**") for the six months ended June 30, 2023 (the "**Reporting Period**") together with the comparative figures for the six months ended June 30, 2022. The unaudited condensed consolidated financial information for the Reporting Period has been reviewed by the audit committee of the Board (the "**Audit Committee**").

BUSINESS REVIEW AND OUTLOOK

Business Review

During the Reporting Period, our revenue decreased by 26.3% from US$1,002.0 million to US$738.5 million, primarily due to more conservative inventory policies adopted by our key customers caused by macroeconomic uncertainties and unfavorable weather in key geographic regions. Our overall gross profit margin improved from 28.9% to 32.1%, primarily due to the depreciation in Renminbi, lower raw material costs and our own business structure improvement.

Introducing new or upgraded products grounded in advanced technology and end-user insights

We continued to invest in developing new or upgrading existing products in-house to propel our future growth. During the Reporting Period, we introduced more than 90 new products in total, and lithium-ion battery powered products accounted for approximately 90% of the new products.

The market share of many product categories under the *EGO* brand continued to rise during the Reporting Period, demonstrating our ongoing efforts to improve product quality and end user experience. For example, we improved our *EGO* snow blower with ergonomic features, such as the heated handle and turning assistant, to further bolster its popularity and market share in North America. Meanwhile, for *Devon* products, we sold nearly 3.5 million battery packs to date, further expanding our competitive advantage, brand recognition and market share in the China power tool market. We successfully launched a new pocket drill for professional users under the *Devon* brand, which became a popular product with robust sales records. For do-it-yourself users, we introduced the twist head product under the *SKIL* brand, which is an electric straight handle screwdriver that offers high performance and flexibility for its users.

Furthermore, to improve our product development efficiency, we are also implementing the “integrated product development” (“**IPD**”) concept that helps manage the end-to-end process, from conceptualization and design, to testing and launch and to production and operational support.

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, revenue from our OBM business accounted for 78.1% of our total revenue (six months ended June 30, 2022: 71.3%). Despite the more conservative inventory policies adopted by our key customers, end consumer purchases of our OBM products at points-of-sales (“**POS**”) grew solidly during the Reporting Period based on the results of our sales monitoring of key markets and customers, which demonstrated the popularity of our products.

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 expanded distributor channels globally for our *EGO*-branded products, which helped us increase the proportion of revenue from dealer channels and improve our overall sales and distribution network structure. For instance, we entered into a strategic agreement with Deere & Company ("**John Deere**") during the Reporting Period to make our *EGO*-branded lithium battery products available at John Deere's robust and extensive sales network in the United States and Canada starting from the third quarter of 2023.

Additionally, we further enhanced our online sales channels by collaborating with e-commerce platforms and operating our own e-stores. For example, our products sales on a leading e-commerce platform in the United States increased by over 20% during the Reporting Period.

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. Our *CHERVON Green Power Industrial Park Phase II* (泉峰新能源工業園二期), an industry-leading smart manufacturing plant, commenced operations during the Reporting Period, providing additional production capacity supported by advanced automation technologies. As a result, we are in the process of phasing out some of our leases of plants and properties. Meanwhile, in light of macroeconomic uncertainties, we adopted a prudent strategy and decided to adjust the development plan for our *CHERVON Smart Production Industrial Park* (泉峰智能製造產業園) to align with market trends and customer demands. See "Other Information – Use of Net Proceeds from Global Offering – Reasons for Change in the Use of Remaining Net Proceeds."

Prospects

Despite facing short-term challenges from industry destocking, the Company remains confident about its prospects for growth and market outperformance in the years to come. As the macroeconomic situation improves, the resilience of our long-term strategy will come to the forefront, demonstrating the Company's adaptability and strength. Crucial to this success is our dedicated and capable team, who diligently executes our strategic vision. Therefore, while acknowledging the temporary obstacles, we are steadfast in our belief that the Company is well-positioned to thrive in the long run, reinforcing our commitment to delivering exceptional value to stakeholders.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue decreased by 26.3% from US$1,002.0 million for the six months ended June 30, 2022 to US$738.5 million for the six months ended June 30, 2023, primarily due to more conservative inventory policies adopted by our key customers caused by macroeconomic uncertainties and unfavorable weather in key geographic regions.

Revenue by product category

Revenue from the sales of OPE products decreased by 25.3% from US$595.9 million for the six months ended June 30, 2022 to US$445.2 million for the six months ended June 30, 2023, primarily driven by industry destocking cycle, more conservative inventory policies adopted by our customers, as well as the negative impact of unfavorable weather in the spring of 2023 across North America on consumer demand for OPE tools.

Revenue from the sales of power tools decreased by 28.6% from US$401.2 million for the six months ended June 30, 2022 to US$286.3 million for the six months ended June 30, 2023, primarily due to unfavorable macroecnomic factors that in turn led to slowdown in housing demand and industry destocking cycle.

Revenue by geographic location

Revenue from North America decreased by 30.3% to US$485.3 million. Revenue from China decreased by 17.0% to US$54.2 million, and decreased by 10.3% in local currency. Revenue from Europe decreased by 12.1% to US$174.9 million, and decreased by 9.4% in local currency. Revenue from the rest of the world also decreased by 41.9% to US$24.1 million.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 18.2% from US$290.0 million for the six months ended June 30, 2022 to US$237.3 million for the six months ended June 30, 2023. During the same periods, our overall gross profit margin increased from 28.9% to 32.1%, primarily due to depreciation in Renminbi, lower raw material costs and our own business structure improvement.

Other Revenue

Our other revenue, which primarily consisted of government grants, sale of scrap materials and rental income, amounted to US$2.7 million in the six months ended June 30, 2023, as compared to US$1.7 million in the six months ended June 30, 2022.

Other Net Loss or Gain

We had other net loss of US$4.7 million for the six months ended June 30, 2023, as compared to other net loss of US$32.3 million for the same period in 2022. Our other net loss for the six months ended June 30, 2023 was primarily attributable to a net realized and unrealized loss on derivative financial instruments of US$12.3 million, which was mainly related to our foreign currency forward contracts, partially offset by net foreign exchange gains of US$7.2 million.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 7.3% from US$101.4 million for the six months ended June 30, 2022 to US$94.0 million for the six months ended June 30, 2023, primarily due to the decrease in our sales.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 0.7% from US$40.0 million for the six months ended June 30, 2022 to US$40.3 million for the six months ended June 30, 2023, primarily due to the Company's continued investments in digital and management transformation.

Research and Development Costs

Our research and development costs increased by 6.6% from US$31.4 million for the six months ended June 30, 2022 to US$33.5 million for the six months ended June 30, 2023, primarily due to the Company's continued investments in research and product development.

Net Finance Costs

Our net finance costs decreased by 84.1% from US$9.5 million for the six months ended June 30, 2022 to US$1.5 million for the six months ended June 30, 2023, primarily due to an improvement of our loan structure.

Profit Before Tax

As a result of the foregoing, our profit before income tax for the six months ended June 30, 2023 amounted to US$57.9 million, representing a decrease of 24.3% as compared to US$76.5 million for the same period in 2022.

Income Tax Expense

Our income tax expense was US$8.8 million for the six months ended June 30, 2023, representing a decrease of 32.2% from US$13.0 million for the same period in 2022. Our effective tax rate was 15.2% for the six months ended June 30, 2023, as compared to 17.0% for the same period in 2022, primarily due to (i) the status of Nanjing Chervon Industry Co., Ltd (南京泉峰科技有限公司) 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 Period

As a result of the foregoing, our profit for the period decreased by 22.7% from US$63.5 million for the six months ended June 30, 2022 to US$49.1 million for the six months ended June 30, 2023. Our net profit margin improved from 6.3% to 6.6% during the respective periods.

Non-HKFRSs Measure: 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 period by excluding net unrealized gains on convertible bonds, net of income tax effects.

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 certain non-cash items and 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 period presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is profit for the period:

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Profit for the period	**49,051**	63,473
Add:		
Net realized and unrealized loss on convertible bonds[(1)]	**496**	10,108
Adjusted Net Profit	**49,547**	73,581

Notes:

(1) Represents the net realized and unrealized losses on our investment, net of income tax effects, in the convertible bond 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**").

Liquidity and Financial Resources

Financial Position

The Group continued to maintain a strong financial position. As of June 30, 2023, the Group had US$396.3 million in cash and cash equivalents (December 31, 2022: US$466.7 million), including approximately HK$1,930.5 million (equivalent to US$247.5 million) in remaining net proceeds from our initial public offering. 46.5%, 46.9%, 3.5% and 3.1% of our cash and cash equivalents as of June 30, 2023 were denominated in Renminbi ("**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 June 30, 2023, the Group had bank loans of US$255.2 million (December 31, 2022: US$329.5 million), which were primarily denominated in RMB, and lease liabilities of US$15.6 million (December 31, 2022: US$22.0 million). As of the same date, fixed-rate and floating-rate loans account for 61.0% and 39.0%, respectively, of the Group's total bank loans.

As of June 30, 2023, short-term bank loans and current portion of long-term bank loans collectively accounted for 81.5% of the total bank loans (December 31, 2022: 58.5%).

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 0.4 as of December 31, 2022 to 0.3 as of June 30, 2023.

Working Capital

The Group's inventories amounted to US$565.2 million as of June 30, 2023 as compared to US$600.0 million as of December 31, 2022. Our inventory turnover days were at 209 days for the six months ended June 30, 2023, as compared to 152 days for the six months ended June 30, 2022, primarily due to more conservative customer inventory policies that resulted in certain order suspensions or cancellations.

The Group's trade and bills receivables turnover days were 63 days for the six months ended June 30, 2023, as compared to 52 days for the same period in 2022, primarily due to our management decision to reduce customer supply chain financing to mitigate the impact of the increase in U.S. dollar-denominated interest rate.

The Group's trade and bills payables turnover days were 92 days for the six months ended June 30, 2023, as compared to 109 days for the same period in 2022, which are in line with our payment terms.

Capital Expenditures

Our capital expenditures for the six months ended June 30, 2023 amounted to US$46.4 million (six months ended June 30, 2022: US$73.1 million), primarily due to the expansion of our production capacity.

Capital Commitments

As of June 30, 2023, 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$292.3 million (December 31, 2022: US$428.2 million). Such decrease was primarily due to the completion of our *CHERVON Green Power Industrial Park Phase II*.

Pledge of Assets

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

	As of June 30, 2023	As of December 31, 2022
	US$'000	*US$'000*
Plant and buildings	**32,177**	48,145
Leasehold land	**21,687**	22,779
Intangible assets	**–**	1,162
Inventories	**6,375**	177,596
Trade and bills receivables	**1,381**	78,862
Pledged deposits	**16,055**	31,340
Other assets	**–**	7,923
Total	**77,675**	367,807

As of June 30, 2023, the Group had pledged deposits of US$19.9 million (December 31, 2022: US$36.5 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 People's Republic of China ("**PRC**") for certain indebtedness of our independent third-party customers, who are typically qualified distributors of ours in the PRC. As of June 30, 2023, the maximum guarantee amount was US$21.5 million (December 31, 2022: US$7.9 million) and the guarantee issued was US$8.3 million (December 31, 2022: US$1.3 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 June 30, 2023 are set forth in the table below.

Investment	**Investment cost as of June 30, 2023**	**Carrying amount as of June 30, 2023**	**Carrying amount as percentage of total assets as of June 30, 2023**	**Fair value as of June 30, 2023**	**Fair value as percentage of total assets as of June 30, 2023**	**Performance (share of loss of associate/net unrealized loss) for the six months ended June 30, 2023**	**Total amount of dividends received for the six months ended June 30, 2023**
	US$'000	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*US$'000*
Equity interest in Chervon Auto Precision Technology	78,797	95,612	5.3	148,391	8.2	8,224	360

As of June 30, 2023, the Company, through Chervon (China) Investment Co., Ltd. (泉峰(中國)投資有限公司) ("**Chervon (China) Investment**"), holds 64,671,068 shares, representing approximately 24.5% equity interest, of 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 June 30, 2023, the investment cost in connection with our equity interest in Chervon Auto Precision Technology amounted to US$78.8 million (December 31, 2022: US$81.8 million). As of the same date, the fair value of such equity interest amounted to US$148.4 million (December 31, 2022: US$188.3 million), which accounted for 8.2% of our total assets as of June 30, 2023 (December 31, 2022: 10.1%). During the Reporting Period, we had a share of loss of an associate of US$8.2 million, as compared to a share of loss of an associate of US$0.7 million in the six months ended June 30, 2022, 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$0.4 million (six months ended June 30, 2022: nil).

In June 2023, we disposed our interest in the convertible bonds issued by Chervon Auto Precision Technology for a total consideration of US$18.6 million and recorded net profits of US$2.2 million on such investment.

We will continue to monitor our investments in Chervon Auto Precision Technology and explore opportunities to monetize such investments if appropriate market opportunities arise.

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 June 30, 2023).

Material Acquisitions, Disposals of Subsidiaries and Associates

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 cost 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 exposure 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 gains for the six months ended June 30, 2023 amounted to US$7.2 million, compared to the net foreign exchange loss of US$9.9 million for the same period in 2022. Our net realized and unrealized loss on derivative financial instruments (which primarily include foreign exchange forward contracts) for the six months ended June 30, 2023 was US$12.3 million, compared to realized and unrealized loss of US$9.7 million for the same period in 2022.

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended June 30, 2023, the Group's largest customer and five largest customers accounted for approximately 32.0% and 59.0% (six months ended June 30, 2022: 41.1% and 63.6%) respectively of the Group's total revenue; and the Group's largest supplier and five largest suppliers accounted for approximately 20.0% and 34.9% respectively for the Group's total purchases (six months ended June 30, 2022: 8.8% and 25.5%).

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 6,522 as of June 30, 2023 (7,119 as of June 30, 2022). The total staff costs for the Reporting Period decreased to US$107.5 million as compared to US$111.6 million for the six months ended June 30, 2022, primarily due to natural attribution as a result of lower customer order volume. 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 June 30, 2023, the male-to-female ratio of the Groups' employees is approximately 1.5 to 1 (December 31, 2022: 1.55:1). 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 GLOBAL 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 the deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK$3,470.1 million (the "**Net Proceeds**").

As of June 30, 2023, the Group had remaining Net Proceeds of approximately HK$1,930.5 million ("**Remaining Net Proceeds**"). As set out in the Prospectus, it was the Company's plan that 66.5% of the Net Proceeds, including the Remaining Net Proceeds, would be used for expanding and upgrading production facilities. After due and careful consideration of Group's business strategy and evolving market environment and customer needs, the Board has resolved on August 28, 2023 to approve the reallocation of the Remaining Net Proceeds and updated timeframe as set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds	Original percentage of total Net Proceeds	Amount of Net Proceeds unutilized as of December 31, 2022	Amount of Net Proceeds utilized during the Reporting Period	Balance of Remaining Net Proceeds as of June 30, 2023	Updated Allocation of Remaining Net Proceeds	Updated timeframe for use of the Remaining Net Proceeds
Expanding and upgrading production facilities	HK$2,307.6 million	66.5%	HK$2,053.0 million	HK$122.5 million	HK$1,930.5 million	HK$430.5 million	Before December 31, 2024
Researching and developing products	HK$312.3 million	9.0%	–	–	–	HK$469.1 million	Before December 31, 2024
Enhancing sales and distribution channels	HK$242.9 million	7.0%	–	–	–	HK$469.1 million	Before December 31, 2024
Paying interest-bearing bank borrowings	HK$260.3 million	7.5%	–	–	–	HK$391.9 million	Before December 31, 2024
Working capital and other general corporate purposes	HK$347.0 million	10.0%	–	–	–	HK$169.9 million	Before December 31, 2024
Total	HK$3,470.1 million	100.0%	HK$2,053.0 million	HK$122.5 million	HK$1,930.5 million	HK$1,930.5 million	

Reasons for Change in the Use of Remaining Net Proceeds

Considering the macroeconomic uncertainties, the Company has decided to adjust the development pace of its *CHERVON Smart Production Industrial Park* to align with such market change. Accordingly, part of the Remaining Net Proceeds will be reallocated to researching and developing products, enhancing sales and distribution channels, paying interest-bearing bank borrowings and working capital and other general corporate purposes.

The Board is of the view that the reallocated use of Remaining Net Proceeds will enable the Company to strengthen its competitive position and improve the efficiency of funds utilization, in alignment with the Company's strategic objectives and operational needs. Accordingly, the Board considers that the reallocated use of the Remaining Net Proceeds is in the best interest of the Company and its shareholders as a whole, and will not have any material adverse impact on the existing business and operations of the Group.

The Remaining Net Proceeds are primarily placed in licensed banks in the PRC and Hong Kong as of the date of this announcement. Save as disclosed in this announcement, there is no other change in the use of the Net Proceeds.

USE OF NET PROCEEDS FROM PLACING AND TOP-UP SUBSCRIPTION

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 Holdings Limited, 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 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 at the Subscription Price (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 closing price per Share as quoted on the Hong Kong Stock Exchange as of 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 HK$37.50 per Subscription Share 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 balance of the net proceeds from the Placing and Top-Up Subscription are set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net Proceeds	Amount of Net Proceeds unutilized as of December 31, 2022	Amount of Net Proceeds utilized during the Reporting Period	Balance of Net Proceeds unutilized as of June 30, 2023	Intended timeframe for use of the unutilized Net Proceeds
Upgrade of production facilities	HK$309.2 million	40.0%	HK$309.2 million	HK$309.2 million	Nil	N/A
Research and development of products	HK$231.9 million	30.0%	HK$231.9 million	HK$231.9 million	Nil	N/A
Enhancement of sales and distribution channels	HK$77.3 million	10.0%	HK$77.3 million	HK$77.3 million	Nil	N/A
Other general working capital purposes	HK$154.6 million	20.0%	HK$154.6 million	HK$154.6 million	Nil	N/A
Total	HK$773.0 million	100.0%	HK$773.0 million	HK$773.0 million	Nil	

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended June 30, 2023.

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 (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, Part 2 of the CG Code, recommends, but does not require, that the roles of chairperson and chief executive officer 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. 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

As of the date of this announcement, the Group has no important events which occurred after the end of the Reporting Period that are required to be disclosed.

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, and discussed internal control and financial reporting matters, including a review of the interim financial information for the six months ended June 30, 2023.

INDEPENDENT REVIEW OF AUDITOR

The unaudited interim financial report of the Group for the six months ended 30 June 2023 has been reviewed by the Company's external auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND 2023 INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at https://global.chervongroup.com. The interim report of the Company for the six months ended June 30, 2023 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, August 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 six months ended June 30, 2023 – unaudited

	Note	**Six months ended June 30, 2023** **US$'000**	2022 *US$'000*
Revenue	*2*	**738,545**	1,002,021
Cost of revenue		**(501,249)**	(711,975)
Gross profit		**237,296**	290,046
Other revenue	*3*	**2,745**	1,746
Other net losses	*4*	**(4,666)**	(32,295)
Selling and distribution expenses		**(93,989)**	(101,362)
Administrative and other operating expenses		**(40,312)**	(40,035)
Research and development costs		**(33,485)**	(31,403)
Profit from operations		**67,589**	86,697
Net finance costs	*5*	**(1,514)**	(9,496)
Share of loss of an associate		**(8,224)**	(745)
Profit before taxation	*6*	**57,851**	76,456
Income tax expense	*7*	**(8,800)**	(12,983)
Profit for the period		**49,051**	63,473
Attributable to:			
Equity shareholders of the Company		**49,119**	63,473
Non-controlling interests		**(68)**	–
Profit for the period		**49,051**	63,473
Earnings per share	*9*		
Basic (US$)		**0.10**	0.13
Diluted (US$)		**0.10**	0.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023 – unaudited

	Note	**Six months ended June 30,**	
		2023	2022
		US$'000	*US$'000*
Profit for the period		**49,051**	63,473
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability, net of tax		**(220)**	(23)
Item that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of subsidiaries with functional currencies other than US dollar		**(28,087)**	(17,684)
Total comprehensive income for the period		**20,744**	45,766
Attributable to:			
Equity shareholders of the Company		**20,812**	45,766
Non-controlling interests		**(68)**	–
Total comprehensive income for the period		**20,744**	45,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2023 – unaudited

	Note	**As of June 30, 2023** *US$'000*	As of December 31, 2022 *US$'000*
Non-current assets			
Properties, plant and equipment	*10*	**256,956**	233,224
Right-of-use assets		**37,226**	44,631
Intangible assets		**1,014**	1,162
Interest in an associate	*11*	**95,612**	106,566
Prepayments, deposits and other receivables		**16,910**	5,851
Financial assets at fair value through profit or loss ("**FVPL**")	*12*	**6,320**	6,202
Deferred tax assets		**36,853**	30,879
		450,891	428,515
Current assets			
Financial assets at FVPL	*12*	**–**	20,019
Derivative financial instruments	*13*	**38**	2,288
Inventories		**565,178**	599,999
Right to returned goods asset		**2,658**	4,417
Trade and bills receivables	*14*	**292,997**	220,220
Prepayments, deposits and other receivables		**72,500**	78,654
Taxation recoverable		**3,716**	5,184
Pledged deposits		**19,934**	36,495
Cash and cash equivalents		**396,267**	466,713
		1,353,288	1,433,989
Current liabilities			
Bank loans		**207,890**	192,904
Derivative financial instruments	*13*	**8,601**	3,581
Lease liabilities		**6,114**	7,583
Trade and bills payables	*15*	**217,355**	294,452
Other payables and accruals	*16*	**208,756**	177,166
Taxation payable		**5,135**	9,710
Warranty provision		**22,547**	19,030
Refund liabilities from right of return		**3,840**	6,432
		680,238	710,858
Net current assets		**673,050**	723,131
Total assets less current liabilities		**1,123,941**	1,151,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of June 30, 2023 – unaudited

	Note	**As of June 30, 2023** **US$'000**	As of December 31, 2022 *US$'000*
Non-current liabilities			
Bank loans		**47,277**	136,589
Lease liabilities		**9,521**	14,460
Warranty provision		**21,663**	38,059
Deferred income		**3,531**	3,709
Defined benefit retirement plans obligation		**434**	473
Deferred tax liabilities		**12,159**	12,257
		94,585	205,547
NET ASSETS		**1,029,356**	946,099
CAPITAL AND RESERVES			
Share capital	*17*	**601,859**	502,654
Reserves		**427,656**	443,536
Total equity attributable to equity shareholders of the Company		**1,029,515**	946,190
Non-controlling interests		**(159)**	(91)
TOTAL EQUITY		**1,029,356**	946,099

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, Kowloon, Hong Kong. The Company was converted from a private company into a public company with effect from December 16, 2021 pursuant to a Special Resolution passed on December 8, 2021. The Company's shares were listed on the Main Board of the Stock Exchange on December 30, 2021.

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

Basis of Preparation

This unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended June 30, 2023.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out below.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

The financial information relating to the financial year ended December 31, 2022 that is included in these condensed consolidated financial information as comparative information does not constitute the Company's statutory consolidated financial statements for that year 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, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

- The Company's auditor has reported on those consolidated financial statements. 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.

Changes in Accounting Policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, Insurance contracts
- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules

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 in this interim financial report.

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.

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Power tools	**286,299**	401,215
OPE	**445,179**	595,890
Others	**7,067**	4,916
	738,545	1,002,021

Geographic Information

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

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
North America	**485,285**	696,219
Europe	**174,902**	198,913
China	**54,230**	65,331
Rest of the World	**24,128**	41,558
	738,545	1,002,021

3 OTHER REVENUE

Our other revenue in the six months ended June 30, 2023 and June 30, 2022 mainly comprises of government grants, sale of scrap materials and rental income.

4 OTHER NET LOSSES

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Net foreign exchange gains/(loss)	**7,245**	(9,895)
Net gains/(loss) on disposal of properties, plants and equipment	**36**	(63)
Net realized and unrealized loss on convertible bonds	**(630)**	(12,836)
Net realized and unrealized gains on financial assets at FVPL other than convertible bond	**1,031**	287
Net realized and unrealized loss on derivative financial instruments	**(12,338)**	(9,710)
Others	**(10)**	(78)
	(4,666)	(32,295)

5 NET FINANCE COSTS

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Interest income from bank deposits	**(4,784)**	(1,182)
Finance income	**(4,784)**	(1,182)
Interest on bank loans	**5,438**	6,281
Interest on lease liabilities	**314**	482
Interest on factoring business	**546**	3,915
Finance costs	**6,298**	10,678
Net finance costs	**1,514**	9,496

6 PROFIT BEFORE TAXATION

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Profit before taxation is arrived at after charging:		
Net finance costs	**1,514**	9,496
Depreciation charge	**18,615**	17,026
Amortization of intangible assets	**148**	149
Provision for write-down of inventories	**1,106**	5,815
Cost of inventories sold *(Note)*	**501,249**	711,975

Note:

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 for each of these types of expenses.

7 INCOME TAX EXPENSE

Taxation in the consolidated statements of profit or loss represents:

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Current tax		
Mainland China Corporate Income Tax		
Provision for the period	**4,976**	5,204
(Over)/under-provision in respect of prior years	**(226)**	237
	4,750	5,441
Hong Kong Profits Tax		
Provision for the period	**5,546**	6,097
Tax jurisdictions outside Mainland China and Hong Kong		
Provision for the period	**4,311**	4,323
Deferred tax		
Origination and reversal of temporary differences	**(5,807)**	(2,878)
Total income tax expense	**8,800**	12,983

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended June 30, 2023. The provision for Chinese Mainland income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the Chinese Mainland as determined in accordance with the relevant income tax rules and regulations of the Chinese Mainland. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

8 DIVIDENDS

The Board has resolved not to declare an interim dividend in respect of the six months ended June 30, 2023 (no interim dividend for the six months ended June 30, 2022).

9 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary equity shareholders of the parent of US$49,119,000 (six months ended June 30, 2022: US$63,473,000) and the weighted average of 508,866,712 ordinary shares (2022: 489,020,211) in issue during the Reporting Period.

Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the six months ended June 30, 2023 and six months ended June 30, 2022. The calculated diluted earnings per share equals the basic earnings per share at June 30, 2023 and June 30, 2022.

10 ADDITIONS OF PROPERTIES, PLANTS AND EQUIPMENT

For the six months ended June 30, 2023, the Group spent approximately US$46.8 million (for the six months ended June 30, 2022: US$44.6 million) on the acquisition of property, plant and equipment.

11 INTEREST IN AN ASSOCIATE

Our interest in an associate as of June 30, 2023 primarily consisted of our 24.5% (December 31, 2022: 24.5%) interest in Chervon Auto Precision Technology.

12 FINANCIAL ASSETS AT FVPL

Our financial assets at FVPL as of June 30, 2023 and December 31, 2022 primarily consisted of (i) a life insurance product by an independent third-party insurance company, and (ii) 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 June 30, 2023 and December 31, 2022 primarily consisted of foreign currency forward contracts and foreign currency option contracts.

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 June 30, 2023 *US$'000*	As of December 31, 2022 *US$'000*
Trade debtors and bills receivable, net of loss allowance		
– measured at amortized cost		
Trade receivables	**291,616**	168,017
Bills receivables	**1,381**	1,174
– measured at fair value through other comprehensive income ("**FVOCI**")		
Trade receivables	**–**	51,029
	292,997	220,220

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 June 30, 2023 *US$'000*	As of December 31, 2022 *US$'000*
Within 6 months	**292,136**	166,216
Over 6 months but within 12 months	**428**	2,650
Over 12 months	**433**	325
	292,997	169,191

15 TRADE AND BILLS PAYABLES

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

	As of June 30, 2023 *US$'000*	As of December 31, 2022 *US$'000*
Trade payables	**198,439**	271,020
Bills payable	**18,916**	23,432
	217,355	294,452

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

	As of June 30, 2023 *US$'000*	As of December 31, 2022 *US$'000*
Within 3 months	**161,343**	220,610
3 to 12 months	**56,012**	73,842
	217,355	294,452

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

16 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2023 *US$'000*	As of December 31, 2022 *US$'000*
Other payables and accrued charges *(Note)*	**132,049**	134,753
Salaries, wages, bonus and benefits payable	**12,363**	25,355
Dividends payable	**36,691**	–
Payables for purchase of properties, plants and equipment	**17,067**	5,393
Interest payables	**236**	449
Other tax payables	**10,350**	11,216
	208,756	177,166

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

	Number of Shares	HK$'000	US$'000
Ordinary shares, issued and fully paid:			
As of January 1, 2023	490,218,811	3,918,527	502,654
Issuance of ordinary shares, net of issuance costs *(Note)*	20,835,000	773,800	99,205
As of June 30, 2023	**511,053,811**	**4,692,327**	**601,859**

Note:

On January 12, 2023, the Company, Panmercy Holdings Limited, as the Seller and China International Capital Corporation Hong Kong Securities Limited, as the Placing Manager entered into a 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 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 at the Subscription Price (being the same as the Placing Price). Net proceeds from these issues amounted to HK$773.8 million (US$99.2 million equivalent) (after offsetting costs directly attributable to the issue of shares of HK$7.5 million (US$1.1 million equivalent), which were recorded in share capital).

18 CAPITAL COMMITMENTS

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

	As of June 30, 2023	As of December 31, 2022
	US$'000	*US$'000*
Contracted for	**25,238**	2,017
Authorised but not contracted for	**267,100**	426,228
	292,338	428,245