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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHERVON HOLDINGS LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of Chervon Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-125, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2018, 2019 and 2020 and June 30, 2021, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-125 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 17, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Reporting accountants' responsibility (continued)

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2018, 2019 and 2020 and June 30, 2021 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2020 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHERVON HOLDINGS LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED (CONTINUED)

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 36(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Section 436 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

The Historical Financial Information contained in this Prospectus does not constitute the Company's statutory annual consolidated financial statements for the years ended 31 December 2018, 2019 or 2020 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditors have reported on these financial statements for the three years. The auditors' reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

December 17, 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(Expressed in US dollar)

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Revenue	4	690,698	843,578	1,200,902	514,359	868,797
Cost of sales		(515,173)	(588,325)	(832,190)	(366,701)	(617,688)
Gross profit		175,525	255,253	368,712	147,658	251,109
Other revenue	5(a)	3,515	3,838	5,801	2,791	2,081
Other net (loss)/gain	5(b)	(8,192)	943	(3,140)	(1,647)	19,754
Selling and distribution expenses		(100,527)	(128,083)	(179,447)	(73,411)	(96,418)
Administrative and other operating expenses		(45,378)	(48,932)	(82,843)	(25,280)	(32,614)
Research and development costs		(27,656)	(31,356)	(38,939)	(16,984)	(27,967)
(Loss)/profit from operations		(2,713)	51,663	70,144	33,127	115,945
Net finance costs	6(a)	(17,164)	(19,754)	(17,357)	(8,070)	(7,895)
Share of profits of associates	17	4,287	9,206	6,724	155	2,801
Share of profits of a joint venture	18	1,176	1,233	–	–	–
(Loss)/profit before taxation	6	(14,414)	42,348	59,511	25,212	110,851
Income tax credit/(expense)	7	957	(6,266)	(11,123)	(4,721)	(19,612)
(Loss)/profit for the year/period		(13,457)	36,082	48,388	20,491	91,239
Attributable to:						
Equity shareholders of the Company		(14,084)	33,976	44,359	18,062	86,062
Non-controlling interests		627	2,106	4,029	2,429	5,177
(Loss)/profit for the year/period		(13,457)	36,082	48,388	20,491	91,239
Earnings per share	11					
Basic (USD)		(0.04)	0.09	0.11	0.05	0.21
Diluted (USD)		(0.04)	0.09	0.11	0.05	0.21

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in US dollar)

		Year ended December 31,			Six months ended June 30,	
	Note	**2018**	**2019**	**2020**	**2020**	**2021**
		USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
(Loss)/profit for the year/period		(13,457)	36,082	48,388	20,491	91,239
Other comprehensive income for the year/period (after tax adjustments)	*10*					
Item that will not be reclassified to profit or loss:						
Remeasurement of net defined benefit liability, net of tax		(19)	(86)	(39)	(20)	(25)
Item that may be reclassified subsequently to profit or loss:						
Exchange difference on translation of financial statements of subsidiaries with functional currencies other than US dollar ("USD")		(4,843)	(1,258)	17,451	(5,661)	818
Other comprehensive income for the year/period		(4,862)	(1,344)	17,412	(5,681)	793
Total comprehensive income for the year/period		(18,319)	34,738	65,800	14,810	92,032
Attributable to:						
Equity shareholders of the Company		(18,160)	32,329	60,221	12,616	86,809
Non-controlling interests		(159)	2,409	5,579	2,194	5,223
Total comprehensive income for the year/period		(18,319)	34,738	65,800	14,810	92,032

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US dollar)

	Note	As at December 31, 2018	As at December 31, 2019	As at December 31, 2020	As at June 30, 2021
		USD'000	USD'000	USD'000	USD'000
Non-current assets					
Properties, plants and equipment	12	109,520	120,020	143,020	165,654
Right-of-use assets	13	41,720	40,829	42,629	42,048
Investment properties	14	1,614	1,384	1,262	–
Intangible assets	15	2,347	2,050	1,754	1,605
Interest in associates	17	49,069	58,011	57,201	58,268
Interest in a joint venture	18	6,865	–	–	–
Prepayments, deposits and other receivables	24	4,663	3,485	4,455	5,764
Financial assets at fair value through profit or loss ("FVPL")	20	20,718	17,267	5,849	5,938
Deferred tax assets	30(b)	21,415	21,217	24,178	21,480
		257,931	264,263	280,348	300,757
Current assets					
Financial assets at FVPL	20	12,380	3,595	5,372	2,785
Derivative financial instruments	21	481	956	5,827	3,107
Inventories	22	214,919	297,645	288,680	378,912
Right to returned goods asset		1,921	2,078	5,618	4,198
Trade and bills receivables	23	127,347	135,233	254,368	319,089
Prepayments, deposits and other receivables	24	21,450	28,386	40,170	22,858
Taxation recoverable	30(a)	11,402	17,764	21,975	22,907
Pledged deposits	25(b)	24,713	23,193	22,172	63,491
Cash and cash equivalents	25(a)	73,266	94,064	166,937	238,582
		487,879	602,914	811,119	1,055,929
Current liabilities					
Bank loans	26	316,231	337,558	290,459	395,832
Derivative financial instruments	21	3,694	1,294	289	618
Lease liabilities	27	1,653	2,122	3,161	3,361
Trade and bills payables	28	138,883	163,808	247,529	350,691
Other payables and accruals	29	56,499	87,891	130,137	157,561
Taxation payable	30(a)	2,371	3,909	6,628	15,069
Warranty provision	31	7,273	8,394	15,175	18,796
Refund liabilities from right of return	32	2,622	3,077	8,218	5,914
		529,226	608,053	701,596	947,842
Net current (liabilities)/assets		(41,347)	(5,139)	109,523	108,087
Total assets less current liabilities		216,584	259,124	389,871	408,844

The accompanying notes form part of the Historical Financial Information.

	Note	As at December 31, 2018	2019	2020	As at June 30, 2021
		USD'000	*USD'000*	*USD'000*	*USD'000*
Non-current liabilities					
Bank loans	*26*	13,287	19,167	47,402	8,722
Lease liabilities	*27*	13,812	13,693	13,517	12,872
Warranty provision	*31*	13,121	15,246	30,775	32,215
Deferred income	*33*	4,131	3,974	4,152	4,145
Defined benefit retirement plans obligation	*34*	922	921	972	956
Deferred tax liabilities	*30(b)*	4,196	5,285	9,029	11,012
		49,469	58,286	105,847	69,922
NET ASSETS		167,115	200,838	284,024	338,922
CAPITAL AND RESERVES					
Share capital	*36*	50,279	50,279	50,279	58,135
Reserves	*36*	99,523	131,852	209,459	280,787
Total equity attributable to equity shareholders of the Company		149,802	182,131	259,738	338,922
Non-controlling interests		17,313	18,707	24,286	–
TOTAL EQUITY		167,115	200,838	284,024	338,922

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in US dollar)

		As at December 31,			As at June 30,
	Note	**2018**	**2019**	**2020**	**2021**
		USD'000	*USD'000*	*USD'000*	*USD'000*
Non-current assets					
Interests in subsidiaries	*16*	177,650	192,061	212,677	250,506
Investment in a joint venture	*18*	5,029	–	–	–
Loans to a subsidiary	*19*	2,296	–	–	–
		184,975	192,061	212,677	250,506
Current assets					
Prepayments, deposits and other receivables	*24*	16,062	17,679	18,704	14,434
Pledged deposits	*25(b)*	402	402	403	401
Cash and cash equivalents	*25(a)*	3	4	4	302
		16,467	18,085	19,111	15,137
Current liability					
Other payables and accruals	*29*	884	814	884	43,901
		884	814	884	43,901
Net current assets/(liabilities)		15,583	17,271	18,227	(28,764)
Total assets less current liabilities		200,558	209,332	230,904	221,742
NET ASSETS		200,558	209,332	230,904	221,742
CAPITAL AND RESERVES					
Share capital	*36*	50,279	50,279	50,279	58,135
Reserves	*36*	150,279	159,053	180,625	163,607
TOTAL EQUITY		200,558	209,332	230,904	221,742

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in US dollar)

	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company								
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at January 1, 2018		50,279	–	17,730	2,967	(182)	101,668	172,462	17,472	189,934
Changes in equity for 2018:										
Loss for the year		–	–	–	–	–	(14,084)	(14,084)	627	(13,457)
Other comprehensive income	*10*	–	–	–	(4,057)	(19)	–	(4,076)	(786)	(4,862)
Total comprehensive income		–	–	–	(4,057)	(19)	(14,084)	(18,160)	(159)	(18,319)
Appropriation of reserve	*36(d)(ii)*	–	–	2,693	–	–	(2,693)	–	–	–
Appropriation of dividends	*36(b)*	–	–	–	–	–	(4,500)	(4,500)	–	(4,500)
Balance at December 31, 2018		50,279	–	20,423	(1,090)	(201)	80,391	149,802	17,313	167,115

The accompanying notes form part of the Historical Financial Information.

	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company								
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at December 31, 2018 and January 1, 2019		50,279	–	20,423	(1,090)	(201)	80,391	149,802	17,313	167,115
Changes in equity for 2019:										
Profit for the year		–	–	–	–	–	33,976	33,976	2,106	36,082
Other comprehensive income	*10*	–	–	–	(1,561)	(86)	–	(1,647)	303	(1,344)
Total comprehensive income		–	–	–	(1,561)	(86)	33,976	32,329	2,409	34,738
Appropriation of reserve	*36(d)(ii)*	–	–	4,075	–	–	(4,075)	–	–	–
Disposal of a subsidiary	*25(g)*	–	–	–	–	–	–	–	(1,015)	(1,015)
Balance at December 31, 2019		50,279	–	24,498	(2,651)	(287)	110,292	182,131	18,707	200,838

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at December 31, 2019 and January 1, 2020		50,279	–	24,498	(2,651)	(287)	110,292	182,131	18,707	200,838
Changes in equity for 2020:										
Profit for the year		–	–	–	–	–	44,359	44,359	4,029	48,388
Other comprehensive income	*10*	–	–	–	15,901	(39)	–	15,862	1,550	17,412
Total comprehensive income		–	–	–	15,901	(39)	44,359	60,221	5,579	65,800
Appropriation of reserve	*36(d)(ii)*	–	–	3,929	–	–	(3,929)	–	–	–
Appropriation of dividends	*36(b)*	–	–	–	–	–	(3,691)	(3,691)	–	(3,691)
Equity settled share-based transactions	*35*	–	21,077	–	–	–	–	21,077	–	21,077
Balance at December 31, 2020		50,279	21,077	28,427	13,250	(326)	147,031	259,738	24,286	284,024

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company								
		Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Balance at December 31, 2020 and January 1, 2021		50,279	21,077	28,427	13,250	(326)	147,031	259,738	24,286	284,024
Changes in equity for the six months ended June 30, 2021:										
Profit for the six-month period		–	–	–	–	–	86,062	86,062	5,177	91,239
Other comprehensive income	*10*	–	–	–	772	(25)	–	747	46	793
Total comprehensive income		–	–	–	772	(25)	86,062	86,809	5,223	92,032
Appropriation of dividends	*36(b)*	–	–	–	–	–	(15,000)	(15,000)	–	(15,000)
Issuance of ordinary shares	*36(c)*	7,856	–	–	–	–	–	7,856	–	7,856
Acquisition of non-controlling interests		–	(481)	–	–	–	–	(481)	(27,945)	(28,426)
Disposal of a subsidiary	*25(g)*	–	–	–	–	–	–	–	(1,564)	(1,564)
Balance at June 30, 2021		58,135	20,596	28,427	14,022	(351)	218,093	338,922	–	338,922

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company								
	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
(Unaudited)										
Balance at December 31, 2019 and January 1, 2020		50,279	–	24,498	(2,651)	(287)	110,292	182,131	18,707	200,838
Changes in equity the six months ended June 30, 2020:										
Profit for the six-month period		–	–	–	–	–	18,062	18,062	2,429	20,491
Other comprehensive income	*10*	–	–	–	(5,426)	(20)	–	(5,446)	(235)	(5,681)
Total comprehensive income		–	–	–	(5,426)	(20)	18,062	12,616	2,194	14,810
Balance at June 30, 2020		50,279	–	24,498	(8,077)	(307)	128,354	194,747	20,901	215,648

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in US dollar)

	Note	Year ended December 31, 2018	2019	2020	Six months ended June 30, 2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Operating activities						
Cash generated from operations	*25(c)*	15,749	49,638	144,846	74,488	96,509
Tax paid	*30(a)*	(7,606)	(10,061)	(11,117)	(8,231)	(7,407)
Net cash generated from operating activities		8,143	39,577	133,729	66,257	89,102
Investing activities						
Payment for the acquisition of properties, plants and equipment		(26,292)	(25,591)	(31,557)	(15,778)	(36,103)
Proceeds from disposal of properties, plants and equipment		477	341	542	271	86
Proceeds from disposal of financial assets measured at fair value through profit or loss		56,602	143,707	144,091	71,964	125,480
Payment for acquisition of financial assets measured at fair value through profit or loss		(53,977)	(141,917)	(133,541)	(66,771)	(123,263)
Acquisition of subsidiaries, net	*25(f)*	–	(3,330)	–	–	–
Disposal of subsidiaries, net	*25(g)*	–	(291)	–	–	32,740
Disposal of associate, net		–	–	–	–	1,287
Dividends received		1,003	1,018	4,167	–	–
Interest received		247	605	638	239	460
Net cash (used in)/generated from investing activities		(21,940)	(25,458)	(15,660)	(10,075)	687

The accompanying notes form part of the Historical Financial Information.

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Financing activities						
Capital element of lease rental paid	25(d)	(1,654)	(2,272)	(2,517)	(1,076)	(1,826)
Interest element of lease rental paid	25(d)	(622)	(611)	(603)	(301)	(120)
Proceeds from new bank loans	25(d)	618,788	587,314	604,400	310,943	288,269
Repayment of bank loans	25(d)	(549,087)	(557,388)	(638,445)	(318,695)	(223,546)
Interest paid	25(d)	(21,103)	(19,976)	(15,552)	(5,738)	(10,419)
(Increase)/decrease in pledged deposits for banking facilities		(11,304)	501	2,284	(3,241)	(35,874)
Acquisition of non-controlling interests		–	–	–	–	(28,426)
Proceeds from issuance of ordinary shares	36(c)	–	–	–	–	7,856
Dividends paid to equity shareholders of the Company	36(b)	–	–	–	–	(15,000)
Net cash generated from/(used in) financing activities		35,018	7,568	(50,433)	(18,108)	(19,086)
Net increase in cash and cash equivalents		21,221	21,687	67,636	38,074	70,703
Cash and cash equivalents at the beginning of the year/period	25(a)	54,798	73,266	94,064	94,064	166,937
Effect of foreign exchange rate changes		(2,753)	(889)	5,237	(1,775)	942
Cash and cash equivalents at the end of the year/period	25(a)	73,266	94,064	166,937	130,363	238,582
Significant non-cash investing and financing activities						
Net settlement of amounts due from and due to related parties		4,500	3,691	–	–	6,074

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

Chervon Holdings Limited (the "Company") was incorporated in Hong Kong on February 19, 1999 as a limited liability company with its registered office at Unit 04, 22/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kln, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in researching, developing, manufacturing, testing, sales, and after-sale services for power tools, outdoor power equipment and related products. The information of the principal subsidiaries is set out in Note 16.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods. The accounting policies set out in Note 2 have been applied consistently throughout the Relevant Periods and the Group has not adopted any new standards or interpretations that are effective for the accounting year beginning on or after January 1, 2021. The revised and new accounting standards and interpretations issued which effective for the accounting years beginning on or after January 1, 2021 and not yet adopted by the Group are set out in Note 42.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is presented in USD, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies as set out below.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and a joint venture

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(l)(ii)). Any the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and the associates or the joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

In the company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(l)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and a joint venture, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 37(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iii)).

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (FVOCI) (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in Note 2(v)(v).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment property

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 2(v)(ii).

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of that properties for measurement or disclosure purposes.

Depreciation is calculated to write off the cost of investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

	Estimated useful life
Plant and buildings	20 years
Leasehold land	over the period of leases

(i) Property, plant and equipment

Property, plant and equipment are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value). Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see Note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Leasehold land *(see Note 2(k))*	over the period of leases
Plant and buildings	20 years or remaining lease terms
Machinery and equipment	5-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less impairment losses (see Note 2(l)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads. Other development expenditure is recognized as an expense in the period in which it is incurred.

Intangible assets that are acquired through business combination are stated at cost (the acquisition date fair value) less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(l)(ii)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful life
Patents	10 years
Trademarks	10 years

The patents and trademark of the Group is associated with different products arising from the combination and acquisition from a third party. The useful lives of patents and trademark are estimated based on the remaining period of economic benefits to be derived from the respective products to be produced relying on the acquired patents and product trademark.

The Group estimates the period of economic benefits to be derived from the respective products based on the expected time period required from its discovery to commercialization and other factors, including the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on such assessment, the Group considers that the expected economic useful lives of the patents and trademark held by the Group are 10 years.

Both the period and method of amortization are reviewed annually.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents "right-of-use assets" and presents "lease liabilities" separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(v)(ii).

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties and third parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is twelve months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(v)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– properties, plants and equipment, including right-of-use assets;

– investment properties;

– intangible assets;

– interest in associates and interest in a joint venture; and

– interest in subsidiaries and interest in a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment:

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(n) Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see Note 2(v)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(o)).

(o) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within six months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i).

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(y)).

(r) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(ii) Termination benefits

Termination benefits are recognized at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(iii) Defined benefit retirement plans obligation

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "selling and distribution expenses" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iv) Share-based payments

The fair value of share-based payment awards granted to employees is recognized as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number that vest (with a corresponding adjustment to the reserve).

(t) ***Income tax***

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods promised under the contract on a relative stand-alone selling price basis.

For a sale of goods with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability (see Note 2(w)); and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iv) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are presented in the consolidated statements of financial position by setting up the grant as deferred income and consequently are effectively recognized in profit or loss on a systematic basis over the useful life of the asset.

(v) Dividends

Dividend income is recognized when the shareholder's right to receive payment is established.

(w) Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

(x) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into USD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(y) Borrowing costs

Borrowing costs that directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Significant accounting judgements and estimates

Key sources of estimation uncertainty

Notes 20, 21, 23, 35, and 37(e) contains information about the assumptions and their risk factors relating to fair value of financial assets and fair value of shares granted. Other key sources of estimation uncertainty are as follows:

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(b) Impairment of trade and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(c) Warranty provisions

The Group makes provisions under the warranties it gives on sale of its power tools and outdoor power equipment taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Equity settled share-based transactions

The determination of the fair values of ordinary shares granted under Share Incentive Scheme to the qualified employees of the Group involve the use of judgment and estimates. The fair values of share options have been estimated using key judgmental assumptions set out in note 35.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are researching, developing, manufacturing, testing, sales, and after-sale services for power tools, outdoor power equipment and related products. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Year ended December 31,			**Six months ended June 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major products					
– Sales of power tools	483,370	549,680	661,081	278,887	451,066
– Sales of outdoor power equipment	201,410	287,971	533,691	231,451	414,041
– Others	5,918	5,927	6,130	4,021	3,690
	690,698	843,578	1,200,902	514,359	868,797

The Group's revenue from contracts with customers were recognized at point in time for the Relevant Periods.

The Group's customer base is diversified and two, two, two, three, two customers with whom transactions have exceeded 10% of the Group's revenues for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively. Details of concentrations of credit risk arising from the customers are set out in Note 37(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2018, 2019 and 2020 and June 30, 2021, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Power tools: sales of power tools and power tool accessories for consumer, professional and industrial users. The products are available under the FLEX, DEVON SKIL and X-TRON brands plus original design manufacturer ("ODM") customers.

- Outdoor power equipment: sales of outdoor tools and outdoor tool accessories for premium or professional and mass-market users. The products are available under the EGO and SKIL brands.

- Others: sales of parts and components to a home appliances business.

(i) Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results attributable to each reportable segment on the following bases:

Revenue are allocated to the reportable segments with reference to sales generated by those segments.

The measure used for reporting segment profit is gross profit. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning revenue generated by the segments in their operations.

Segment assets and liabilities are not regularly reported to the Group's executive directors and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for Relevant Periods is set out below.

	Reportable segments			
	Power tools	**Outdoor power equipment**	**Others**	**Total reportable segments**
	USD'000	*USD'000*	*USD'000*	*USD'000*
2018				
Revenue from external customers				
Point in time	483,370	201,410	5,918	690,698
Gross profit from external customers and reportable segment profit	118,997	55,266	1,262	175,525

	Reportable segments			
	Power tools	**Outdoor power equipment**	**Others**	**Total reportable segments**
	USD'000	*USD'000*	*USD'000*	*USD'000*
2019				
Revenue from external customers				
Point in time	549,680	287,971	5,927	843,578
Gross profit from external customers and reportable segment profit	165,565	88,752	936	255,253

	Reportable segments			
	Power tools	Outdoor power equipment	Others	Total reportable segments
	USD'000	*USD'000*	*USD'000*	*USD'000*
2020				
Revenue from external customers				
Point in time	661,081	533,691	6,130	1,200,902
Gross profit from external customers and reportable segment profit	192,030	175,503	1,179	368,712

	Reportable segments			
	Power tools	Outdoor power equipment	Others	Total reportable segments
	USD'000	*USD'000*	*USD'000*	*USD'000*
Six months ended June 30, 2021				
Revenue from external customers				
Point in time	451,066	414,041	3,690	868,797
Gross profit from external customers and reportable segment profit	120,445	130,274	390	251,109

	Reportable segments			
	Power tools	Outdoor power equipment	Others	Total reportable segments
	USD'000	*USD'000*	*USD'000*	*USD'000*
(unaudited)				
Six months ended June 30, 2020				
Revenue from external customers				
Point in time	278,887	231,451	4,021	514,359
Gross profit from external customers and reportable segment profit	77,874	68,997	787	147,658

(ii) Reconciliations of reportable segment gross (loss)/profit

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Reportable segment gross profit	175,525	255,253	368,712	147,658	251,109
Other revenue	3,515	3,838	5,801	2,791	2,081
Other net (loss)/income	(8,192)	943	(3,140)	(1,647)	19,754
Selling and distribution expenses	(100,527)	(128,083)	(179,447)	(73,411)	(96,418)
Administrative and other operating expenses	(45,378)	(48,932)	(82,843)	(25,280)	(32,614)
Research and development costs	(27,656)	(31,356)	(38,939)	(16,984)	(27,967)
Net finance costs	(17,164)	(19,754)	(17,357)	(8,070)	(7,895)
Share of profits of associates	4,287	9,206	6,724	155	2,801
Share of profits of a joint venture	1,176	1,233	–	–	–
Consolidated (loss)/profit before taxation	(14,414)	42,348	59,511	25,212	110,851

(iii) Geographic information

The following table sets out the geographic information analyses of the Group's revenue and specified non-current assets including investment property, property, plant and equipment, right-of-use assets and intangible assets ("specified non-current assets"). In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets have been based on the geographic location of the assets.

Revenue from external customers

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
North America	383,675	506,900	798,913	321,707	572,683
Europe	232,995	257,821	297,260	140,757	207,752
China	56,564	61,540	69,295	38,820	61,378
Rest of the World	17,464	17,317	35,434	13,075	26,984
	690,698	843,578	1,200,902	514,359	868,797

Specified non-current assets

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
North America	12,161	11,210	10,296	17,103
Europe	13,775	15,173	19,790	23,156
China	129,265	137,900	158,579	169,048
	155,201	164,283	188,665	209,307

5 Other revenue and other net (loss)/gain

(a) Other revenue

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Government grants *(Note i)*	855	888	3,650	1,719	1,027
Sale of scrap materials	596	935	1,058	617	878
Rental income	1,571	1,819	1,093	455	176
Others	493	196	–	–	–
	3,515	3,838	5,801	2,791	2,081

Note:

(i) During the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, the Group received unconditional government grants of USD855,000, USD888,000, USD3,650,000, USD1,719,000 and USD1,027,000, respectively, as rewards of the Group's contribution to technology innovation and regional economic development.

(b) Other net (loss)/gain

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Net foreign exchange gain/(loss)	2,617	466	(11,497)	(584)	(5,374)
Net (loss)/gain on disposal of properties, plants and equipment	(320)	(74)	(43)	(4)	(196)
Net realized and unrealized (losses)/gains on financial assets at FVPL	(83)	(41)	165	430	454
Net realized and unrealized (losses)/gains on derivative financial instruments	(10,419)	(810)	8,209	(1,501)	3,686
Loss on disposal of associates and a joint venture	–	–	(131)	–	(677)
(Loss)/gain on disposal of a subsidiary *(Note 25 (g))*	–	(4)	–	–	21,969
Gain on business combination *(Note 25 (f))*	–	1,326	–	–	–
Others	13	80	157	12	(108)
	(8,192)	943	(3,140)	(1,647)	19,754

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Interest income from bank deposits	(247)	(605)	(638)	(239)	(460)
Finance income	(247)	(605)	(638)	(239)	(460)
Interest on bank loans	16,789	19,748	17,392	8,008	8,235
Interest on lease liabilities	622	611	603	301	120
Finance costs	17,411	20,359	17,995	8,309	8,355
Net finance costs	17,164	19,754	17,357	8,070	7,895

(b) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Salaries, wages and other benefits	97,578	106,264	130,788	65,394	73,911
Contributions to defined contribution retirement plans	22,025	23,215	21,782	10,891	14,209
Equity settled share-based payment expenses *(Note 35)*	–	–	21,077	–	–
Expenses recognized in respect of defined benefit retirement plans obligation *(Note 34(a))*	16	16	9	5	7
	119,619	129,495	173,656	76,290	88,127

(c) Other items

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Depreciation charge					
– owned properties, plants and equipment	19,279	17,416	17,858	8,799	10,467
– right-of-use assets	2,582	3,091	3,302	1,520	2,230
– investment property	214	206	206	100	37
Amortization of intangible assets	312	296	296	148	149
Research and development costs *(Note i)*	27,656	31,356	38,939	16,984	27,967
(Reversal)/Provision for impairment loss on trade and other receivables	(2,688)	1,825	450	607	(853)
Provision for write-down of inventories	1,369	2,930	696	2,486	2,996
Auditors' remuneration					
– audit services	284	357	388	40	266
– non-audit services	149	130	174	26	11
Listing expenses	–	–	272	–	2,122
Cost of inventories sold *(Note ii)*	515,528	591,201	832,230	369,116	617,870

Notes:

(i) Research and development costs include amounts relating to staff costs, depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) Cost of inventories recognized as expenses includes amounts relating to staff costs, depreciation and amortization expenses, provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Current tax					
PRC Corporate Income Tax					
Provision for the year/period	256	787	1,101	574	5,025
(Over)/under-provision in respect of prior years	(29)	2	152	152	(56)
	227	789	1,253	726	4,969
Hong Kong Profits Tax					
Provision for the year/period	–	–	2,916	1,716	7,856
Tax jurisdictions outside PRC and Hong Kong					
Provision for the year/period	598	4,241	5,869	3,444	2,387
Deferred tax					
Origination and reversal of temporary differences *(Note 30(b))*	(1,782)	1,236	1,085	(1,165)	4,400
Total income tax (credit)/expense	(957)	6,266	11,123	4,721	19,612

Notes:

(i) Pursuant to the income tax rules and regulations of Hong Kong, the Company and the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021.

(ii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiary:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), Nanjing Chervon Industry Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2016 to 2019. Nanjing Chervon Industry Co., Ltd. renewed the qualification in 2019 and was entitled to a preferential income tax rate of 15% from 2019 to 2021.

According to the prevailing PRC CIT law and its relevant regulations, non-PRC tax resident enterprises are levied withholding tax on dividends from their PRC resident investees for intra-group earnings accumulated beginning on January 1, 2008, at 10% (unless reduced by tax treaties or similar arrangements), respectively. Undistributed earnings generated prior to 2008 are exempt from such withholding tax.

Under the arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution). The Group met the beneficial owner requirements in 2015 and were entitled to a preferential rate of 5% since 2015.

(iii) Pursuant to the income tax rules and regulations of the United States, the Group's subsidiaries in the United States was liable to United States federal income tax at a rate of 21% and state income tax at a rate ranging from 0.75% to 9.99% during the Relevant Periods.

(iv) Pursuant to the income tax rules and regulations of the United Kingdom, the Group's subsidiary in the United Kingdom was liable to the United Kingdom corporation tax at a rate of 20% during the Relevant Periods.

(v) Pursuant to the income tax rules and regulations of Germany, Chervon GmbH, Flex Geschaftsfuhrungs GmbH, Flex Verwaltungs GmbH & Co.KG, Flex-Elektrowerkzeuge Gmb and EGO Europe GmbH were liable to German corporate tax at a rate between 22.825% and 26.825% determined by municipalities during the Relevant Periods.

(vi) Pursuant to the rules and regulations of the Australia, the Group's subsidiary in the Australia was liable to the Australia corporation tax at a rate of 27.5% during the Relevant Periods.

(vii) Pursuant to the rules and regulations of the Canada, the Group's subsidiary in the Canada was liable to the Canada corporation tax at a rate of 26.5% during the Relevant Periods.

(viii) Pursuant to the rules and regulations of the Netherlands, the Group's subsidiaries in the Netherlands was liable to the Netherlands corporation tax at a rate of 25% during the Relevant Periods.

(ix) Pursuant to the rules and regulations of the Czech, the Group's subsidiary in the Czech was liable to the Czech corporation tax at a rate of 19% during the Relevant Periods.

(x) Pursuant to the rules and regulations of the Belgium, the Group's subsidiary in the Belgium was liable to the Belgium corporation tax at a rate of 25% during the Relevant Periods.

(xi) Pursuant to the rules and regulations of the Italia, the Group's subsidiary in the Italia was liable to the Italia corporation tax at a rate of 24% during the Relevant Periods.

(xii) Pursuant to the rules and regulations of the France, the Group's subsidiary in the France was liable to the France corporation tax at a rate of 28% during the Relevant Periods.

(xiii) Pursuant to the Vietnam Investment Law and the approval of Industry Zone Committee of Tinh Binh Duong, the Group's subsidiary in the Vietnam was entitled to a tax exemption for 2020 and 2021 and a preferential income tax rate of 10% from 2022 to 2025.

(b) Reconciliation between (loss)/profit before taxation and tax expense and at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
(Loss)/profit before taxation	(14,414)	42,348	59,511	25,212	110,851
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(1,713)	9,198	12,834	5,402	23,545
Effect of PRC tax concessions obtained	(1,119)	(1,069)	(729)	(80)	(2,782)
Tax effect of non-deductible expenses *(Note)*	1,761	1,940	3,098	1,576	1,695
Tax effect of non-taxable income	(471)	(3,367)	(4,231)	(1,664)	(3,493)
Tax effect of tax losses not recognized	2,491	1,645	1,916	858	1,167
Tax effect of bonus deduction for research and development costs	(2,221)	(2,944)	(3,420)	(1,790)	(2,703)
Provision of withholding tax on undistributed profits	344	861	1,503	267	2,239
(Over)/under-provision in prior years	(29)	2	152	152	(56)
Income tax (credit)/expense	(957)	6,266	11,123	4,721	19,612

Note:

Tax effect of non-deductible expenses mainly represented tax effect of equity settled share-based payment expenses, expenses incurred by entities without assessable profits and other non-deductible expenses.

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	2018 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	24	187	226	–	437	–	437
Zhang Tong	24	209	272	–	505	–	505
Ke Zuqian	24	181	226	–	431	–	431
Xiao Jun	24	151	57	15	247	–	247
Cheng Hong Kei	24	–	–	–	24	–	24
Lo Wing Yan William	24	–	–	–	24	–	24
	144	728	781	15	1,668	–	1,668

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	2019 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	12	174	218	–	404	–	404
Zhang Tong	12	201	290	–	503	–	503
Ke Zuqian	12	174	261	–	447	–	447
Xiao Jun	12	139	128	13	292	–	292
Cheng Hong Kei	12	–	–	–	12	–	12
Lo Wing Yan William(1)	12	–	–	–	12	–	12
	72	688	897	13	1,670	–	1,670

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	2020 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	12	152	316	–	480	–	480
Zhang Tong	12	196	382	–	590	–	590
Ke Zuqian	12	170	295	1	478	–	478
Xiao Jun	12	221	139	8	380	–	380
Cheng Hong Kei	12	–	–	–	12	–	12
	60	739	1,132	9	1,940	–	1,940

Note:

(1) Mr. Lo Wing Yan William was our former director from January 2010 to May 2019, who resigned from directorship with effect from May 21, 2019. The reason for the resignation of Mr. Lo Wing Yan William as a director of our Company is that pursuant to our former articles of association our Board will voluntarily resign and be re-elected once every two years and during that time Mr. Lo Wing Yan William decided not to pursue the re-election due to (i) his ordinary residence in Hong Kong which limits his access to our business in the PRC; and (ii) his shift of focus to other commitments.

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Six months ended June 30, 2020 Total
	USD'000 *(unaudited)*	*USD'000* *(unaudited)*	*USD'000* *(unaudited)*	*USD'000* *(unaudited)*	*USD'000* *(unaudited)*	*USD'000* *(unaudited)*	*USD'000* *(unaudited)*
Executive directors							
Pan Longquan	6	64	68	–	138	–	138
Zhang Tong	6	94	68	–	168	–	168
Ke Zuqian	6	81	68	–	155	–	155
Xiao Jun	6	139	–	4	149	–	149
Cheng Hong Kei	6	–	–	–	6	–	6
	30	378	204	4	616	–	616

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Six months ended June 30, 2021 Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Executive directors							
Pan Longquan	–	93	74	–	167	–	167
Zhang Tong	–	100	74	–	174	–	174
Ke Zuqian	–	93	74	–	167	–	167
Xiao Jun	–	83	–	8	91	–	91
Cheng Hong Kei	–	–	–	–	–	–	–
	–	369	222	8	599	–	599

All the executive directors are key management personnel of the Group during the Relevant Periods and their remuneration disclosed above include those for services rendered by them as key management personnel.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two, three, nil, nil and nil is director during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Salaries, allowances and benefits in kind	1,319	1,220	1,109	848	820
Discretionary bonuses	856	1,196	898	380	378
Retirement scheme contributions	97	50	75	126	144
Share-based payments	–	–	2,833	–	–
	2,272	2,466	4,915	1,354	1,342

The emoluments of the five, five, five, five and five individuals with the highest emoluments during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, respectively, are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* *(unaudited)*	*Number of individuals*
USD nil to USD500,000	4	4	–	5	5
USD500,001 to USD1,000,000	1	1	2	–	–
USD1,000,001 to USD1,500,000	–	–	3	–	–

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Exchange differences on translation of financial statements	Remeasurement of net defined benefit liability	Total
	USD'000	*USD'000*	*USD'000*
For the year ended December 31, 2018			
Before-tax amount	(4,843)	(21)	(4,864)
Tax benefit	–	2	2
Net-of-tax amount	(4,843)	(19)	(4,862)
For the year ended December 31, 2019			
Before-tax amount	(1,258)	(91)	(1,349)
Tax benefit	–	5	5
Net-of-tax amount	(1,258)	(86)	(1,344)
For the year ended December 31, 2020			
Before-tax amount	17,451	(43)	17,408
Tax benefit	–	4	4
Net-of-tax amount	17,451	(39)	17,412
For the six months ended June 30, 2021			
Before-tax amount	818	(25)	793
Tax expense	–	–	–
Net-of-tax amount	818	(25)	793
For the six months ended June 30, 2020 (unaudited)			
Before-tax amount	(5,661)	(20)	(5,681)
Tax expense	–	–	–
Net-of-tax amount	(5,661)	(20)	(5,681)

11 Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic earnings per share is based on the losses attributable to equity shareholders of the Company of USD14,084,000 and profit attributable to equity shareholders of the Company of USD33,976,000, USD44,359,000, USD18,062,000 and USD86,062,000 for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
Ordinary shares at the beginning of the year/period	390,000,000	390,000,000	390,000,000	390,000,000	390,000,000
Effect of right issues (Note)	5,536,504	5,536,504	5,536,504	5,536,504	5,716,408
Effect of issuance of ordinary shares under the Share Incentive Scheme (Note 35)	–	–	–	–	6,289,103
Weighted average number of ordinary shares at the end of the year/period	395,536,504	395,536,504	395,536,504	395,536,504	402,005,511

Note: Pursuant to the resolution passed by the board of directors of the Company on March 17, 2021, the Company issued and allotted a total of 5,844,911 shares by way of rights issue at the subscription price of HKD1.00 to the shareholders in proportion to their shareholding. The calculations of the basic earnings per share were adjusted retrospectively for the Relevant Periods to include the effect of the number of shares issues as if such shares were issued and outstanding for all periods presented.

(b) Diluted (loss)/earnings per share

The calculation of diluted earnings per share is based on the losses attributable to equity shareholders of the Company of USD14,084,000 and profit attributable to equity shareholders of the Company of USD33,976,000, USD44,359,000, USD18,062,000 and USD86,062,000 for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
				(unaudited)	
Weighted average number of ordinary shares at the end of the year/period	395,536,504	395,536,504	395,536,504	395,536,504	402,005,511
Effect of equity settled share-based transactions (Note 35)	–	–	24,072	–	4,051,515
Weighted average number of ordinary shares (diluted) at the end of the year/period	395,536,504	395,536,504	395,560,576	395,536,504	406,057,026

12 Properties, plants and equipment

(a) Reconciliation of carrying amount

	Plant and buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Cost:						
At January 1, 2018	101,822	70,438	23,219	2,193	648	198,320
Additions	426	15,227	3,044	84	7,511	26,292
Transfers	311	6	210	–	(527)	–
Disposals	(342)	(1,383)	(1,067)	(124)	–	(2,916)
Exchange adjustment	(4,686)	(3,306)	(1,200)	(104)	(254)	(9,550)
At December 31, 2018 and January 1, 2019	97,531	80,982	24,206	2,049	7,378	212,146
Additions	222	17,544	5,513	771	4,678	28,728
Transfers	9,325	349	375	–	(10,049)	–
Acquisition of a subsidiary	–	3,393	1,164	230	–	4,787
Disposals	(2)	(2,820)	(305)	(438)	–	(3,565)
Disposal of a subsidiary	–	–	(2)	(73)	–	(75)
Exchange adjustment	(1,681)	(1,544)	(333)	(39)	(49)	(3,646)
At December 31, 2019 and January 1, 2020	105,395	97,904	30,618	2,500	1,958	238,375
Additions	389	14,327	6,041	263	10,028	31,048
Transfers	247	346	1,133	–	(1,726)	–
Disposals	–	(4,947)	(2,225)	(33)	–	(7,205)
Exchange adjustment	8,433	8,595	2,099	181	587	19,895
At December 31, 2020 and January 1, 2021	114,464	116,225	37,666	2,911	10,847	282,113
Additions	16	10,297	4,351	326	17,660	32,650
Transfers	–	–	1,115	–	(1,115)	–
Disposals	–	(307)	(680)	(2)	–	(989)
Disposal of a subsidiary	(373)	–	(35)	–	–	(408)
Exchange adjustment	518	(412)	(71)	26	234	295
At June 30, 2021	114,625	125,803	42,346	3,261	27,626	313,661
Accumulated depreciation:						
At January 1, 2018	(33,275)	(41,665)	(13,700)	(1,532)	–	(90,172)
Charge for the year	(4,387)	(12,534)	(2,199)	(159)	–	(19,279)
Written back on disposals	106	1,336	565	112	–	2,119
Exchange adjustment	1,723	2,082	826	75	–	4,706
At December 31, 2018 and January 1, 2019	(35,833)	(50,781)	(14,508)	(1,504)	–	(102,626)

	Plant and buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Charge for the year	(4,490)	(9,779)	(2,907)	(240)	–	(17,416)
Acquisition of a subsidiary (Note 25(f))	–	(2,387)	(927)	(199)	–	(3,513)
Written back on disposals	–	2,614	267	269	–	3,150
Disposal of a subsidiary	–	–	–	66	–	66
Exchange adjustment	677	1,026	256	25	–	1,984
At December 31, 2019 and January 1, 2020	(39,646)	(59,307)	(17,819)	(1,583)	–	(118,355)
Charge for the year	(4,558)	(9,891)	(3,181)	(228)	–	(17,858)
Written back on disposals	–	4,606	1,982	32	–	6,620
Exchange adjustment	(3,292)	(4,958)	(1,130)	(120)	–	(9,500)
At December 31, 2020 and January 1, 2021	(47,496)	(69,550)	(20,148)	(1,899)	–	(139,093)
Charge for the six-month period	(2,407)	(5,717)	(2,219)	(124)	–	(10,467)
Written back on disposals	–	271	606	2	–	879
Disposal of a subsidiary	258	–	32	–	–	290
Exchange adjustment	(53)	374	80	(17)	–	384
At June 30, 2021	(49,698)	(74,622)	(21,649)	(2,038)	–	(148,007)
Net book value:						
At December 31, 2018	61,698	30,201	9,698	545	7,378	109,520
At December 31, 2019	65,749	38,597	12,799	917	1,958	120,020
At December 31, 2020	66,968	46,675	17,518	1,012	10,847	143,020
At June 30, 2021	64,927	51,181	20,697	1,223	27,626	165,654

Note: Certain properties, plants and equipment of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Plant and buildings	42,369	38,512	44,724	43,003

13 Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
At January 1, 2018	17,874	31,514	49,388
Additions	1,638	–	1,638
Exchange adjustment	(136)	(1,631)	(1,767)
At December 31, 2018 and January 1, 2019	19,376	29,883	49,259
Additions	2,686	–	2,686
Disposals	(246)	–	(246)
Exchange adjustment	(70)	(484)	(554)
At December 31, 2019 and January 1, 2020	21,746	29,399	51,145
Additions	3,028	–	3,028
Disposals	(798)	–	(798)
Exchange adjustment	465	2,033	2,498
At December 31, 2020 and January 1, 2021	24,441	31,432	55,873
Additions	1,410	–	1,410
Disposals	(110)	–	(110)
Exchange adjustment	(58)	315	257
At June 30, 2021	25,683	31,747	57,430
Accumulated depreciation:			
At January 1, 2018	(2,278)	(2,917)	(5,195)
Charge for the year	(1,964)	(618)	(2,582)
Exchange adjustment	66	172	238
At December 31, 2018 and January 1, 2019	(4,176)	(3,363)	(7,539)
Charge for the year	(2,496)	(595)	(3,091)
Written back on disposals	246	–	246
Exchange adjustment	7	61	68
At December 31, 2019 and January 1, 2020	(6,419)	(3,897)	(10,316)
Charge for the year	(2,707)	(595)	(3,302)
Written back on disposals	798	–	798
Exchange adjustment	(121)	(303)	(424)
At December 31, 2020 and January 1, 2021	(8,449)	(4,795)	(13,244)
Charge for the six-month period	(1,913)	(317)	(2,230)
Written back on disposals	110	–	110
Exchange adjustment	30	(48)	(18)
At June 30, 2021	(10,222)	(5,160)	(15,382)

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
Net book value:			
At December 31, 2018	15,200	26,520	41,720
At December 31, 2019	15,327	25,502	40,829
At December 31, 2020	15,992	26,637	42,629
At June 30, 2021	15,461	26,587	42,048

Notes:

(i) The Group obtains the right-of-use certain land in the PRC under several operating lease agreements of 50 years. As at December 31, 2018, 2019 and 2020 and June 30, 2021, the carrying amounts of leasehold land held for own use were USD26,520,000, USD25,502,000, USD26,637,000 and USD26,587,000, respectively.

(ii) The Group has obtained the right to use certain office and warehouse properties through tenancy agreements during the Relevant Periods. The leases typically run for a period of 1 to 13 years.

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	At December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
– Leasehold land	618	595	595	292	317
– Plant and buildings	1,964	2,496	2,707	1,228	1,913
	2,582	3,091	3,302	1,520	2,230
Interest on lease liabilities (Note 6(a))	622	611	603	301	120
Expense relating to short-term leases	846	922	1,022	458	928

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 25(e) and 27, respectively.

Certain right-of-use assets of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Leasehold land	25,375	24,409	25,503	25,458

14 Investment Properties

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
At January 1, 2018	4,600	526	5,126
Exchange adjustment	(221)	(26)	(247)
At December 31, 2018 and January 1, 2019	4,379	500	4,879
Exchange adjustment	(71)	(8)	(79)
At December 31, 2019 and January 1, 2020	4,308	492	4,800
Exchange adjustment	298	34	332
At December 31, 2020 and January 1, 2021	4,606	526	5,132
Disposal of a subsidiary	(4,622)	(529)	(5,151)
Exchange adjustment	16	3	19
At June 30, 2021	–	–	–
Accumulated amortization:			
At January 1, 2018	(3,021)	(192)	(3,213)
Charge for the year	(204)	(10)	(214)
Exchange adjustment	152	10	162
At December 31, 2018 and January 1, 2019	(3,073)	(192)	(3,265)
Charge for the year	(196)	(10)	(206)
Exchange adjustment	52	3	55

	Plant and buildings	Leasehold Land	Total
	USD'000	*USD'000*	*USD'000*
At December 31, 2019 and January 1, 2020	(3,217)	(199)	(3,416)
Charge for the year	(196)	(10)	(206)
Exchange adjustment	(234)	(14)	(248)
At December 31, 2020 and January 1, 2021	(3,647)	(223)	(3,870)
Charge for the six-month period	(35)	(2)	(37)
Disposal of a subsidiary	3,694	226	3,920
Exchange adjustment	(12)	(1)	(13)
At June 30, 2021	–	–	–
Net book value:			
At December 31, 2018	1,306	308	1,614
At December 31, 2019	1,091	293	1,384
At December 31, 2020	959	303	1,262
At June 30, 2021	–	–	–

The Group leases out investment property under operating lease. The lease runs for an initial period of 10 years, with an option to renew the lease after that date at which time all terms are renegotiated.

As at December 31, 2018, 2019 and 2020 and June 30, 2021, certain investment properties of USD nil, USD1,091,000, USD959,000, and USD nil were pledged as securities for bank loans of the Group, respectively (see Note 26).

The fair value of investment property is valued by an independent third-party valuer to be USD22,713,000, USD22,151,000 and USD23,699,000 as at December 31, 2018, 2019 and 2020 respectively.

The Group's investment property is located in the PRC.

The fair value of completed investment properties is determined by making reference to the market transactions, as the case may be, of comparable properties.

15 Intangible assets

	Patents	Trademarks	Total
	USD'000	*USD'000*	*USD'000*
Cost:			
At January 1, 2018,	901	2,172	3,073
Exchange adjustment	(5)	–	(5)
At December 31, 2018 and January 1, 2019	896	2,172	3,068
Exchange adjustment	(2)	–	(2)
At December 31, 2019 and January 1, 2020	894	2,172	3,066
Exchange adjustment	8	–	8
At December 31, 2020 and January 1, 2021	902	2,172	3,074
Exchange adjustment	(1)	–	(1)
At June 30, 2021	901	2,172	3,073
Accumulated amortization:			
At January 1, 2018	(177)	(237)	(414)
Charge for the year	(95)	(217)	(312)
Exchange adjustment	5	–	5
At December 31, 2018 and January 1, 2019	(267)	(454)	(721)
Charge for the year	(79)	(217)	(296)
Exchange adjustment	1	–	1
At December 31, 2019 and January 1, 2020	(345)	(671)	(1,016)
Charge for the year	(79)	(217)	(296)
Exchange adjustment	(8)	–	(8)
At December 31, 2020 and January 1, 2021	(432)	(888)	(1,320)
Charge for the period	(40)	(109)	(149)
Exchange adjustment	1	–	1
At June 30, 2021	(471)	(997)	(1,468)
Net book value:			
At December 31, 2018	629	1,718	2,347
At December 31, 2019	549	1,501	2,050
At December 31, 2020	470	1,284	1,754
At June 30, 2021	430	1,175	1,605

Note: Certain intangible assets of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Intangible assets	2,347	2,050	1,754	1,605

16 Interest in subsidiaries

As at June 30, 2021, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	*Held by a subsidiary*		
Chervon (China) Investment Co., Ltd (泉峰(中國)投資有限公司) *(Notes (a) and (c))*	The PRC August 2, 2016	United States Dollar ("USD")100,000,000	100%	–	Investment holding	Nanjing Bo Wen Accounting Firm (南京博文會計師事務所有限公司)/KPMG Huazhen LLP Nanjing Branch
Nanjing Chervon Industry Co., Ltd. (南京德朔實業有限公司) *(Notes (a) and (c))*	The PRC September 26, 1997	USD144,073,464	100%	–	Production of tools, research and development, sales	Deloitte LLP Nanjing Branch/KPMG Huazhen LLP Nanjing Branch
Chervon (China) Trading Co., Ltd. (泉峰(中國)貿易有限公司) *(Notes (a) and (c))*	The PRC March 29, 2006	USD6,200,000	–	100%	Sales of power tools and outdoor power equipment	Deloitte LLP Nanjing Branch/KPMG Huazhen LLP Nanjing Branch
Chervon (China) Tools Sales Co., Ltd. (泉峰(中國)工具銷售有限公司) *(Notes (a) and (c))*	The PRC June 28, 2010	Renminbi ("RMB")66,506,700	–	100%	Sales of power tools in the PRC	Deloitte LLP Nanjing Branch/KPMG Huazhen LLP Nanjing Branch
Nanjing Bovon Power Tools Co., Ltd. (南京搏峰電動工具有限公司) *(Notes (a) and (d))*	The PRC January 30, 2007	USD10,000,000	50%	50%	Manufacturing, Research and development and sales of power tools and outdoor power equipment	Beijing Zhong Cai Guo Xin Accounting Firm (北京中財國信會計師事務所有限公司)/KPMG Huazhen LLP Nanjing Branch
Chervon (HK) Ltd. *(Note (e))*	Hong Kong November 8, 2010	Hong Kong Dollar ("HKD")5,000,000	100%	–	Trading and financial management	Good Faith CPA Firm Company Limited/KPMG
Chervon Overseas Holdings Co., Ltd. *(Note (e))*	Hong Kong August 6, 2013	USD7,148,520	100%	–	Investment holding	Good Faith CPA Firm Company Limited/KPMG
Chervon Industry (Vietnam) Company Limited *(Note (f))*	Vietnam January 21, 2020	Vietnamese Dongs ("VND")46,600,000,000	–	100%	Production of gardening tools	KMF Auditing Company Limited
Chervon Canada Inc. *(Note (g))*	Canada October 31, 2016	CAD1,500,001	–	100%	Sales of power tools and outdoor power equipment	Adams&Miles LLP
Chervon Australia PTY Limited *(Note (b))*	Australia July 31, 2016	AUD1,500,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	*Held by a subsidiary*		
Chervon North America Inc. *(Note (h))*	United States February 25, 2005	USD300,000	–	100%	Research in the North American market, product design, sales and services	Hungerford Nichols CPA
Flex North America Inc. *(Note (i))*	United States December 19, 2005	USD1	–	100%	Sales of power tools and outdoor power equipment	Steve Ramaekers CPA LLC
Flex Geschaftsfuhrungs GmbH *(Note (b))*	Germany May 3, 2013	Euro("EUR")25,000	–	100%	Investment holding	Not applicable
Flex Verwaltungs GmbH & Co., KG *(Note (j))*	Germany May 22, 2013	EUR19,000,500	–	100%	Production of FLEX brand, design, sales and services	Ebner Stolz GmbH & Co.KG
Flex-Elektrowerkzeuge GmbH *(Note (j))*	Germany November 27, 1980	EUR3,580,100	–	100%	Production of FLEX brand, design, sales and services	Ebner Stolz GmbH & Co.KG
Chervon GmbH *(Note (b))*	Germany July 1, 2016	EUR25,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable
EGO Europe GmbH *(Note (k))*	Germany November 20, 2015	EUR50,000	–	100%	Operation of EGO brands, sales and services	Ebner Stolz GmbH & Co. KG
Flex Elektronáradí, s.r.o *(Note (b))*	Czech June 18, 2008	CZK500,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Flex Italia S.r.l. *(Note (b))*	Italy July 11, 2012	EUR50,000	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Flex Electroportatif Machines ET Accessoires *(Note (j))*	France July 11, 2012	EUR10,000	–	100%	Sales of power tools and outdoor power equipment	Novances Nexia
FLEX POWER TOOLS BV *(Note (j))*	Belgium May 15, 2005	EUR95,167,585	–	100%	Sales of power tools and outdoor power equipment	VGD Bedrijfsrevisoren CVBA
Flex Power Tools B. V. *(Note (b))*	Netherlands January 24, 2012	EUR31,800	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Skil B.V. *(Note (l))*	Netherlands August 12, 2016	EUR50,000	–	100%	Do-It-Yourself business design in Europe operations and sales	Not applicable
Flex Power Tools Ltd. *(Note (b))*	United Kingdom November 9, 2020	GBP1	–	100%	Sales of power tools and outdoor power equipment	Not applicable
Chervon Europe Limited *(Note (m))*	United Kingdom June 7, 2007	GBP1	–	100%	Sales of power tools and outdoor power equipment	Masons Statutory Auditors
Chervon NZ Subsidiary Limited *(Note (n))*	New Zealand May 3, 2021	New Zealand Dollar ("NZD")1,500,100	–	100%	Sales of power tools and outdoor power equipment	Not applicable

Notes:

(a) These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

(b) No audited financial statements were prepared by those companies during the Relevant Periods as they are not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(c) The audited financial statements of these companies for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.

(d) The audited financial statements of the company for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Accounting Regulations for Business Enterprises applicable to the enterprises in the PRC.

(e) The audited financial statements of these companies for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA.

(f) The audited financial statements of these companies for the year ended December 31, 2020 were prepared in accordance with Vietnamese Accounting Standards. No statutory financial statements were prepared by this company for the years ended December 31, 2018 and 2019, since this company was established in 2020.

(g) The audited financial statements of the company for the years ended December 31, 2018 and 2019 were prepared in accordance with the Accounting Standards for private enterprises in the Canada. As at the date of this report, the statutory financial statements for the year ended December 31, 2020 has not been completed.

(h) The audited financial statements of the company for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the U.S. generally accepted accounting principles.

(i) The audited financial statements of the company for the years ended December 31, 2018 and 2019 were prepared in accordance with the U.S. generally accepted accounting principles. No audited statutory financial statements were prepared for the year ended December 31, 2020, since the company was in the process of liquidation in 2020.

(j) The audited financial statements of these companies for the years ended December 31, 2018, 2019 and 2020 were prepared in accordance with the accounting principles generally accepted in the relevant judications.

(k) No audited financial statements were prepared by the company for the years ended December 31, 2018 and 2019 as the company was not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The audited financial statements of the company for the year ended December 31, 2020 were prepared in accordance with the Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany.

(l) No audited financial statements were prepared by the company for the year ended December 31, 2018. As at the date of the report, the statutory financial statements for the years ended December 31, 2019 and 2020 have not been completed.

(m) The audited financial statements of the company for the years ended December 31, 2018 and 2019 were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). As at the date of this report, the audit of the statutory financial statements for the year ended December 31, 2020 has not been completed.

(n) No audited financial statements were prepared by this company for the years ended December 31, 2018, 2019 and 2020, since this company was established in 2021.

All companies now comprising the Group have adopted December 31 as their financial year end date.

During the Relevant Periods, the Group's non-controlling interests are diverse among the subsidiaries. None of the Group's subsidiaries has a material non-controlling interest.

17 Interest in associates

The following list contains the particulars of the Group's associates, except Nanjing Chervon Auto Precision Technology Co., Ltd., all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest as at June 30, 2021			Principal activities
				Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
Nanjing Chervon Auto Precision Technology Co., Ltd. (南京泉峰汽車精密技術股份有限公司) ("Chervon Auto Precision Technology") *(Note i)*	Incorporated	The PRC	Renminbi("RMB") 201,415,700	23.12%	–	23.12%	Manufacturing, Research and development and sales of auto parts
Nanjing Jiangning Lianshang Investment Co., Ltd. (南京江寧聯商股權投資有限公司) *(Note ii)*	Incorporated	The PRC	RMB120,000,000	–	–	–	Investment
Nanjing Suquan Investment Co., Ltd. (南京蘇泉投資管理有限公司) *(Note iii)*	Incorporated	The PRC	RMB58,000,000	–	–	–	Investment
Nanjing Yaoquan Investment Management Co., Ltd. (南京耀泉投資管理有限公司) *(Note iii)*	Incorporated	The PRC	RMB10,000,000	–	–	–	Investment

Notes:

(i) Nanjing Chervon Auto Precision Technology Co., Ltd. was established in the PRC with limited liability on March 19, 2012 and is principally engaged in the production, sales and research and development of automotive power systems and relevant components. Its shares are currently listed on the Shanghai Stock Exchange (stock code: 603982.SH). In September 2016, the Group acquired 38.8% of the equity interest in Chervon Auto Precision Technology from Nanjing Chervon Industry Co., Ltd. of USD19,400,000 (RMB129,776,300 equivalent). In November 2016, Chervon Auto Precision Technology reduced its registered capital and the Group reduced its investment to RMB46,560,000 on a pro rata basis. In March 2017, the proportion of the Group's interest in Chervon Auto Precision Technology has been diluted to 31.04% due to the new financing obtained by Chervon Auto Precision Technology and further diluted to 23.28% in April 2019 due to the listing of Chervon Auto Precision Technology on Shanghai Stock Exchange. In June 2020, the proportion of the Group's interest in Chervon Auto Precision Technology has been diluted to 23.10% due to the new issuance of shares and increased to 23.12% due to the repurchase of the shares by Chervon Auto Precision Technology in the first half of 2021.

(ii) Nanjing Jiangning Lianshang Investment Co., Ltd. (南京江寧聯商股權投資有限公司) was established in the PRC with limited liability on March 31, 2014 with a registered capital of RMB120 million for the purpose of a proposed investment project in Nanjing. The Group acquired 31.25% of the equity interest in Nanjing Jiangning Lianshang Investment Co., Ltd. in 2014 through capital injection of RMB50,000,000 and the proportion of the Group's interest increased to 41.67% in 2019 due to the withdrawal share capital of a shareholder. On July 13, 2020, the board of Nanjing Jiangning Lianshang Investment Co., Ltd. approved a plan to liquidate of itself. On October 31, 2020, the Group derecognized the associate after the completion of deregistration.

(iii) Nanjing Suquan Investment Co., Ltd. was established in the PRC with the limited liability on February 5, 2008 with a registered capital of RMB58 million. It is an investment holding company and does not have its own business operations. Nanjing Yaoquan Investment Management Co., Ltd. which was a wholly owned subsidiary of Nanjing Suquan Investment Co., Ltd., was established in the PRC with limited liability on August 12, 2008 with a registered capital of RMB10 million and is engaged in private equity fund management businesses.

Nanjing Suquan Investment Co., Ltd., was the subsidiary of the Company before December 28, 2018. On December 28, 2018, the Group entered into an agreement with Mr. Xiao Jun, a minority shareholder of Nanjing Suquan Investment Co., Ltd. Pursuant to the agreement, the Group agreed to dispose its 61% equity interest in Nanjing Suquan Investment Co., Ltd. to Mr. Xiao Jun at a cash consideration of RMB10,921,300. Upon the completion of the Group's disposal on March 12, 2019, the Group's interest in Nanjing Suquan Investment Co., Ltd. and Nanjing Yaoquan Investment Management Co., Ltd. has been reduced to 24.88% and the aforementioned entities ceased to be subsidiaries of the Group but became associates of the Group.

On February 24, 2021, the Group entered into an agreement with Chervon (Nanjing) Management Services Co., Ltd. (泉峰(南京)管理服務有限公司) ("Chervon Management Services"), which is a related party wholly owned by Mr. Pan Longquan. Pursuant to the agreement, the Group agreed to transfer 19.02% equity interest in Nanjing Suquan Investment Co., Ltd. to Chervon Management Services for a cash consideration of RMB8,373,300 (USD1,287,000). The consideration was determined with reference to the valuation of Nanjing Suquan Investment Co., Ltd. performed by independent valuation firm. The remaining 5.86% equity interest in Nanjing Suquan Investment Co., Ltd., which was held by Nanjing Chervon International Trading Co., Ltd., was also disposed along with the disposal of Nanjing Chervon International Trading Co., Ltd. on the same date (see Note 25(g)).

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the material associate, Chervon Auto Precision Technology, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	December 31, 2018	December 31, 2019	December 31, 2020	June 30, 2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Gross amounts of Chervon Auto Precision Technology				
Current assets	120,977	152,453	177,239	188,027
Non-current assets	155,034	151,207	164,743	203,849
Current liabilities	(94,833)	(65,683)	(99,448)	(134,103)
Non-current liabilities	(46,187)	(28,027)	(3,488)	(5,748)
Equity	(134,991)	(209,950)	(239,046)	(252,025)
Revenue	181,235	181,382	201,006	124,698
Profit from continuing operations	13,813	12,458	17,544	12,115
Other comprehensive income	–	(20)	(66)	891
Total comprehensive income	13,813	12,438	17,478	13,006
Dividend received	–	–	1,005	540
Reconciled to the Group's interest in Chervon Auto Precision Technology				
Gross amounts of net assets of Chervon Auto Precision Technology	134,991	209,950	239,046	252,025
Group's effective interest	31.04%	23.28%	23.10%	23.12%
Group's share of net assets of Chervon Auto Precision Technology	41,901	48,876	55,220	58,268
Carrying amount of in the consolidated financial statements	41,901	48,876	55,220	58,268
Quoted market price	N/A	125,006	143,643	121,371

	December 31, 2018	December 31, 2019	December 31, 2020	June 30, 2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Group's share of Chervon Auto Precision Technology				
Profit from continuing operations	4,288	2,900	4,053	2,801
Other comprehensive income	–	(5)	(15)	206
Total comprehensive income	4,288	2,895	4,038	3,007

The Group assesses whether this is any objective evidence that its interest in the associates are impaired at the end of each reporting period by considering the associates' business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market, economic or legal environment. Based on the assessment above, the Group concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interest in associates is considered necessary to be recognized in the consolidated statements of profit or loss.

Aggregate information of associates that are not individually material:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	7,168	9,135	1,981	–

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Aggregate amounts of the Group's share of those associates'					
(Loss)/Profit from continuing operations	(1)	1,461	530	(208)	–
Other comprehensive income	–	–	–	–	–
Total comprehensive income	(1)	1,461	530	(208)	–

18 Interest in a joint venture

Details of the Group's interest in the joint venture which is accounted for using equity method in the consolidated financial statements are set out below:

Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activities
				Group's effective interest	*Held by the Company*	*Held by a subsidiary*	
Nanjing Bovon Power Tools Co., Ltd. (南京搏峰電動工具有限公司)	Incorporated	The PRC	USD10,000,000	50%	50%	–	Manufacturing, Research and development and sales of power tools and outdoor power equipment

In January 2007, the Group, Bosch (China) Investment Ltd. and Scintilla A.G. established Nanjing Bovon Power Tools Co., Ltd. ("Nanjing Bovon") by capital contribution with the interest of 50%, 40% and 10%, respectively.

In September 2019, the Group signed an agreement to acquire 40% and 10% equity interest in Nanjing Bovon at consideration of RMB32,000,000 (USD4,642,000 equivalent) and RMB8,000,000 (USD1,160,000 equivalent) from Bosch (China) Investment Ltd. and Scintilla A.G., respectively. Upon the completion of share transfer on December 6, 2019, Nanjing Bovon became a subsidiary of the Group.

Nanjing Bovon is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of Nanjing Bovon, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

	December 31, 2018
	USD'000
Gross amounts of Nanjing Bovon's	
Current assets	20,767
Non-current assets	1,467
Current liabilities	(8,505)
Equity	(13,729)
Included in the above assets and liabilities	
Cash	9,247
Revenue	49,227

	December 31,
	2018
	USD'000
Profit from continuing operations	2,352
Other comprehensive income	–
Total comprehensive income	2,352
Dividend received	1,018
Included in the above profit:	
Depreciation and amortisation	290
Interest income	60
Interest expense	–
Income tax expense	32
Reconciled to the Group's interest in Nanjing Bovon	
Gross amounts of net assets of Nanjing Bovon	13,729
Group's effective interest	50%
Group's share of net assets of Nanjing Bovon	6,865
Carrying amount of in the consolidated financial statements	6,865

19 Loans to a subsidiary

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Flex Verwaltungs GmbH & Co., KG	2,296	–	–	–

As at December 31, 2018, the Company's unsecured loan to Flex Verwaltungs GmbH & Co., KG was subject to interest rates at 2.5% per annum.

20 Financial assets at fair value through profit or loss

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets at FVPL – non-current				
– Insurance product	5,482	5,663	5,844	5,938
– Unlisted units in investment funds	15,236	11,604	5	–
	20,718	17,267	5,849	5,938

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Financial assets at FVPL – current				
– Structured deposits and wealth management products	2,798	3,584	5,372	2,785
– Trading securities	9,582	11	–	–
	12,380	3,595	5,372	2,785
	33,098	20,862	11,221	8,723

The Group's non-current balances of financial assets at FVPL represent a life insurance product issued by an independent third-party insurance company and units in investment funds incorporated in the PRC which are primarily invested in the manufacturing, healthcare and new energy sectors.

The Group's current balances of financial assets at FVPL mainly represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return which will be paid together with the principal on the maturity date and trading securities which are the Group's portfolio of listed equity securities in the capital markets of the PRC held for trading purposes.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 37(e).

21 Derivative financial instruments

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Assets				
– Foreign currency forward contracts *(Note i)*	461	938	5,697	3,039
– Foreign currency option contracts *(Note i)*	–	18	130	68
– Interest rate swap contracts *(Note ii)*	20	–	–	–
	481	956	5,827	3,107

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Liabilities				
– Foreign currency forward contracts *(Note i)*	2,842	1,153	192	477
– Foreign currency option contracts *(Note i)*	746	141	97	141
– Interest rate swap contracts *(Note ii)*	39	–	–	–
– Copper commodity swap contracts *(Note iii)*	67	–	–	–
	3,694	1,294	289	618

Notes:

(i) The Group entered into several foreign currency forward contracts and foreign currency option contracts with certain banks to mitigate the currency risk arising from certain of its bank loans and receivables denominated in USD and EUR.

(ii) The Group entered into several interest rate swaps contracts with certain banks to mitigate the risk of interest rate fluctuation arising from certain bank loans at floating interest rate.

(iii) The Group entered into copper commodity swap contracts with certain bank to mitigate the risk of copper price fluctuation.

The fair value changes of above derivative financial instruments were recognised in other net gains and losses.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 37(e).

22 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Raw materials	36,595	32,523	56,085	90,391
Consumables	1,786	3,174	3,729	4,646
Semi-finished goods	13,948	18,052	32,997	37,883
Finished goods	165,157	249,307	201,516	251,123

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
	217,486	303,056	294,327	384,043
Write down of inventories	(2,567)	(5,411)	(5,647)	(5,131)
	214,919	297,645	288,680	378,912

(b) ***The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:***

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Carrying amount of inventories sold	515,173	588,325	832,190	366,736	617,364
Written-off of inventories	(1,014)	(54)	(656)	(106)	(2,490)
Provision for write-down of inventories	1,369	2,930	696	2,486	2,996
	515,528	591,201	832,230	369,116	617,870

All inventories are expected to be recovered within one year.

(c) ***Certain inventories assets of the Group were pledged as security for bank loans (see Note 26). Details are set out as follows:***

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Inventories	107,196	161,152	98,519	97,755

23 Trade and bills receivables

		At December 31,			At June 30,
		2018	2019	2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000*
Trade debtors and bills receivable, net of loss allowance					
– measured at amortised cost	*(i)*				
Trade receivables		116,410	116,126	164,475	183,113
Bills receivables		7,926	4,307	4,746	8,702
– measured at FVOCI	*(ii)*				
Trade receivables		3,011	14,800	85,147	127,274
		127,347	135,233	254,368	319,089

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable primarily represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable.

(i) As at December 31, 2018, 2019 and 2020 and June 30, 2021, certain trade debtors of USD42,579,000, USD49,936,000, USD92,175,000, and USD101,314,000 were pledged as securities for bank loans of the Group, respectively (see Note 26).

(ii) Certain amounts of the Group's trade debtors and bill receivables measured at FVOCI are trade debtors factored to banks in accordance with receivables purchase agreements. These factored trade debtors were held for both collection of contractual cash flows and sales. The contractual cash flows of the trade debtors comprised solely payments of principal and interest. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECLs.

Aging analysis

As of the end of the reporting period, the aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Within 6 months	115,677	113,751	165,140	189,088
Over 6 months but within 12 months	4,761	4,068	3,153	1,847
Over 12 months	3,898	2,614	928	880
	124,336	120,433	169,221	191,815

Trade and bills receivables are due within 30 -180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 37(a).

24 Prepayments, deposits and other receivables

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current				
Amounts due from related parties	58	10,959	21,487	–
Value added tax recoverable	9,296	6,881	10,633	11,274
Other tax recoverable	319	449	478	1
Prepayments for materials and expenses	2,322	3,228	3,193	6,919
Advances to employee	874	846	1,011	527
Other deposits and receivables	8,644	6,644	4,616	4,223
	21,513	29,007	41,418	22,944
Less: loss allowance	(63)	(621)	(1,248)	(86)
	21,450	28,386	40,170	22,858
Non-current				
Prepayments for properties, plants and equipment	2,602	1,253	1,944	4,376
Advances to staff	2,061	2,232	2,511	1,388
	4,663	3,485	4,455	5,764

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current				
Amounts due from related parties	–	–	1,443	–
Amounts due from subsidiaries	16,062	17,679	17,261	14,434
	16,062	17,679	18,704	14,434

All of prepayments, deposits and other receivables current balances are expected to be recovered or recognized as expense within one year.

25 Cash and cash equivalents and pledged deposits

(a) Cash and cash equivalents comprise:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cash at bank	73,206	94,014	166,862	238,510
Cash in hand	60	50	75	72
	73,266	94,064	166,937	238,582

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cash at bank	3	4	4	302

(b) Pledged deposits comprise:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Pledged deposits for				
– issuance of bills payable	11,517	10,502	11,759	17,204
– issuance of banking facilities	13,196	12,691	10,413	46,287
	24,713	23,193	22,172	63,491

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Pledged deposits for				
– issuance of banking facilities	402	402	403	401

The pledged deposits will be released upon the settlement of letters of credit and bills payable and by the Group or the expiry of relevant banking facilities.

(c) Reconciliation of (loss)/profits before taxation to cash generated from operations

	Note	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
(Loss)/Profit before taxation		(14,414)	42,348	59,511	25,212	110,851
Adjustments for:						
Depreciation of properties, plants and equipment	*6(c)*	19,279	17,416	17,858	8,799	10,467
Depreciation of right-of-use assets	*6(c)*	2,582	3,091	3,302	1,520	2,230
Depreciation of investment property	*6(c)*	214	206	206	100	37
Amortization of intangible assets	*6(c)*	312	296	296	148	149
Net finance costs	*6(a)*	17,164	19,754	17,357	8,070	7,895
Share of profits of associates	*17*	(4,287)	(9,206)	(6,724)	(155)	(2,801)
Share of profits of a joint venture	*18*	(1,176)	(1,233)	–	–	–
Net losses/(gains) on disposal of properties, plants and equipment	*5(b)*	320	74	43	4	196
Net realised and unrealised losses/(gains) on FVPL	*5(b)*	83	41	(165)	(430)	(454)
Net realized and unrealized losses/(gains) on derivative financial instruments	*5(b)*	10,419	810	(8,209)	1,501	(3,686)
Loss on disposal of an associate	*5(b)*	–	–	131	–	677
Loss/(gain) on disposal of a subsidiary	*5(b)*	–	4	–	–	(21,969)
Gain on business combination	*25(f)*	–	(1,326)	–	–	–
Equity settled share-based payment expenses	*35*	–	–	21,077	–	–
(Reversal)/provision for impairment loss on trade and other receivables	*6(c)*	(2,688)	1,825	450	607	(853)
Provision for write-down of inventories	*6(c)*	1,369	2,930	696	2,486	2,996
Amortization of deferred income		94	91	91	46	49
Foreign exchange (gain)/loss		(2,617)	(466)	11,497	584	5,168
Operating profit before changes in working capital		26,654	76,655	117,417	48,492	110,952
(Increase)/decrease in pledged deposits		(1,208)	1,019	(1,263)	6,015	(5,445)
(Increase)/decrease in inventories		(25,439)	(84,872)	8,318	78,078	(89,716)
Decrease/(increase) in trade and bills receivables		11,020	(9,165)	(118,954)	(98,334)	(65,031)
(Increase)/decrease in prepayments, deposits and other receivables		(14,256)	4,510	(8,616)	(2,615)	18,443
Decrease/(increase) in right to returned goods asset		1,174	(157)	(3,541)	(2,509)	1,420
Increase/(decrease) in trade payables		8,572	24,925	83,720	23,175	99,943
Increase/(decrease) in other payables and accruals		8,679	33,071	40,456	(468)	23,155
(Decrease)/increase in warranty provision		(1,305)	3,265	22,244	19,312	5,085
Increase/(decrease) in refund liabilities from right of return		1,934	455	5,141	3,380	(2,304)
(Decrease)/increase in defined benefit retirement plans obligation		(76)	(68)	(76)	(38)	7
Cash generated from operations		15,749	49,638	144,846	74,488	96,509

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans	Interest payable	Lease liabilities	Total
	USD'000 *(Note 26)*	*USD'000* *(Note 29)*	*USD'000* *(Note 27)*	*USD'000*
At January 1, 2018	266,832	5,766	15,597	288,195
Changes from financing cash flows:				
Proceeds from bank loans	618,788	–	–	618,788
Repayment of bank loans	(549,087)	–	–	(549,087)
Capital element of lease rentals paid	–	–	(1,654)	(1,654)
Interest element of lease rentals paid	–	–	(622)	(622)
Interest paid	–	(21,103)	–	(21,103)
Total changes from financing cash flows	69,701	(21,103)	(2,276)	46,322
Exchange adjustments	(7,015)	(84)	(116)	(7,215)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	1,638	1,638
Interest expenses *(Note 6(a))*	–	16,789	622	17,411
Total other changes	–	16,789	2,260	19,049
At December 31, 2018 and January 1, 2019	329,518	1,368	15,465	346,351
Changes from financing cash flows:				
Proceeds from bank loans	587,314	–	–	587,314
Repayment of bank loans	(557,388)	–	–	(557,388)
Capital element of lease rentals paid	–	–	(2,272)	(2,272)
Interest element of lease rentals paid	–	–	(611)	(611)
Interest paid	–	(19,976)	–	(19,976)
Total changes from financing cash flows	29,926	(19,976)	(2,883)	7,067
Exchange adjustments	(2,719)	(10)	(64)	(2,793)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	2,686	2,686
Interest expenses *(Note 6(a))*	–	19,748	611	20,359
Total other changes	–	19,748	3,297	23,045
At December 31, 2019 and January 1, 2020	356,725	1,130	15,815	373,670

	Bank loans	Interest payable	Lease liabilities	Total
	USD'000 *(Note 26)*	*USD'000* *(Note 29)*	*USD'000* *(Note 27)*	*USD'000*
At January 1, 2020	356,725	1,130	15,815	373,670
Changes from financing cash flows:				
Proceeds from bank loans	604,400	–	–	604,400
Repayment of bank loans	(638,445)	–	–	(638,445)
Capital element of lease rentals paid	–	–	(2,517)	(2,517)
Interest element of lease rentals paid	–	–	(603)	(603)
Interest paid	–	(15,552)	–	(15,552)
Total changes from financing cash flows	(34,045)	(15,552)	(3,120)	(52,717)
Exchange adjustments	15,181	92	352	15,625
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	3,028	3,028
Interest expenses *(Note 6(a))*	–	17,392	603	17,995
Total other changes	–	17,392	3,631	21,023
At December 31, 2020 and January 1, 2021	337,861	3,062	16,678	357,601
Changes from financing cash flows:				
Proceeds from bank loans	288,269	–	–	288,269
Repayment of bank loans	(223,546)	–	–	(223,546)
Capital element of lease rentals paid	–	–	(1,826)	(1,826)
Interest element of lease rentals paid	–	–	(120)	(120)
Interest paid	–	(10,419)	–	(10,419)
Total changes from financing cash flows	64,723	(10,419)	(1,946)	52,358
Exchange adjustments	1,970	10	(30)	1,950
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	1,411	1,411
Interest expenses *(Note 6(a))*	–	8,235	120	8,355
Total other changes	–	8,235	1,531	9,766
At June 30, 2021	404,554	888	16,233	421,675

	Bank loans	Interest payable	Lease liabilities	Total
	USD'000 *(Note 26)*	*USD'000* *(Note 29)*	*USD'000* *(Note 27)*	*USD'000*
(Unaudited)				
At January 1, 2020	356,725	1,130	15,815	373,670
Changes from financing cash flows:				
Proceeds from bank loans	310,943	–	–	310,943
Repayment of bank loans	(318,695)	–	–	(318,695)
Capital element of lease rentals paid	–	–	(1,076)	(1,076)
Interest element of lease rentals paid	–	–	(301)	(301)
Interest paid	–	(5,738)	–	(5,738)
Total changes from financing cash flows	(7,752)	(5,738)	(1,377)	(14,867)
Exchange adjustments	(2,542)	(17)	(7)	(2,566)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	–	1,514	1,514
Interest expenses *(Note 6(a))*	–	8,008	301	8,309
Total other changes	–	8,008	1,815	9,823
At June 30, 2020	346,431	3,383	16,246	366,060

(e) Total cash flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Within operating cash flows	846	922	1,022	458	928
Within financing cash flows	2,276	2,883	3,120	1,377	1,946
	3,122	3,805	4,142	1,835	2,874

These amounts relate to the following:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Lease rentals paid	3,122	3,805	4,142	1,835	2,874

(f) Net cash outflow arising from the acquisition of a subsidiary

On December 31, 2019, the Group acquired its interests in Nanjing Bovon (see Note 18). The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	Fair value on date of acquisition
	USD'000
Cash	2,454
Financial assets at FVPL	1,886
Trade and bills receivables	15,447
Inventories	2,246
Properties, plants and equipment *(Note 12)*	1,274
Prepayments, deposits and other receivables	976
Other payables and accruals	(10,026)
Identified net assets	14,257

Loss arising from remeasurement of the pre-existing 50% of equity interest of Nanjing Bovon is as below:

	USD'000
Fair value of pre-existing 50% of equity interest of Nanjing Bovon	5,802
Carrying amount of pre-existing 50% of equity interest of Nanjing Bovon	(7,129)
Loss arising from remeasurement of the pre-existing 50% of equity interest of Nanjing Bovon	(1,327)

Gains on business combination arising from the acquisition has been recognized as below:

	USD'000
Consideration paid	5,802
Fair value of pre-existing 50% of equity interest of Nanjing Bovon	5,802
Loss arising from remeasurement of the pre-existing 50% of equity interest of Nanjing Bovon	1,327
Less: fair value of identifiable net assets	(14,257)
Gains on business combination	1,326

Satisfied by:

	USD'000
Cash consideration	5,784
Non-cash consideration	18
	5,802

Analysis of the net cash inflow in respect of business combination:

	USD'000
Total consideration paid in cash	5,784
Less: cash of subsidiary acquired	(2,454)
Net cash outflow on acquisition	3,330

The fair value of net identifiable assets of Nanjing Bovon is determined by the directors of the Company with reference to the valuation performed by independent valuation firm on the acquisition date.

From the date of acquisition to December 31, 2019, Nanjing Bovon contributed revenue of USD nil and net gain of USD nil.

The consolidated revenue and loss for the year ended December 31, 2019 would have been USD51,264,000 and USD348,000, respectively had the acquisition been completed as at January 1, 2019.

*(g) **Disposal of interests in subsidiaries***

During the Relevant Periods, the Group disposed its interests in certain subsidiaries in the PRC.

Aggregate of assets and liabilities at the date of disposal over which control was lost:

	2019	**Six months ended June 30, 2021**
	(Note i) *USD'000*	*(Notes ii&iii)* *USD'000*
Properties, plants and equipment *(Note 12)*	9	118
Investment property *(Note 14)*	–	1,231
Financial assets at FVPL	10,546	444
Interest in a subsidiary	–	672
Cash	291	925
Prepayments, deposits and other receivables	1,964	12,054
Other payables and accruals	(10,207)	(2,184)
Non-controlling interests	(1,015)	(1,564)
Net assets disposed	1,588	11,696

(Loss)/gains on disposal of interests in subsidiaries:

	2019	Six months ended June 30, 2021
	USD'000	*USD'000*
Consideration	1,584	33,665
Net assets disposed of	(1,588)	(11,696)
(Loss)/gains on disposal of interests in subsidiaries *(Note 5(b))*	(4)	21,969

Analysis of net cash in respect of the disposal of interests in subsidiaries is as follows:

	2019	Six months ended June 30, 2021
	USD'000	*USD'000*
Consideration	1,584	33,665
Less: cash disposed of	(291)	(925)
Less: consideration not received	(1,584)	–
(Payment)/Proceeds received for disposal of interests in subsidiaries	(291)	32,740

Notes:

(i) Nanjing Yaoquan Investment Management Co., Ltd. is a wholly-owned subsidiary of Nanjing Suquan Investment Co., Ltd., which is the subsidiary of the Company before December 28, 2018. On December 28, 2018, the Group has entered into an agreement with Mr. Xiao Jun, a minority shareholder of Nanjing Suquan Investment Co., Ltd. Pursuant to the agreement, the Group agreed to dispose its 61% equity interest in Nanjing Suquan Investment Co., Ltd. to Mr. Xiao Jun at a cash consideration of RMB10,921,300 (USD: 1,584,000 equivalent). The consideration was determined with reference to the valuation performed by independent valuation firm.

(ii) On February 24, 2021, the Group has entered into an agreement with Chervon Management Services, which is a related party wholly owned by Mr. Pan Longquan. Pursuant to the agreement, the Group agreed to transfer 85% equity interest in Nanjing Chervon International Trading Co., Ltd. to Chervon Management Services for a cash consideration of RMB47,813,800 (USD7,351,000 equivalent). The consideration was determined with reference to the valuation of Nanjing Chervon International Trading Co., Ltd. performed by independent valuation firm.

(iii) On February 25, 2021, the Group has entered into an agreement with Chervon Management Services, which is a related party wholly owned by Mr. Pan Longquan. Pursuant to the agreement, the Group agreed to transfer 100% equity interest in Nanjing Jiuhao Electromechanical Industry Co., Ltd. to Chervon Management Services for a cash consideration of RMB171,160,100 (USD26,314,000 equivalent). The consideration was determined with reference to the valuation of Nanjing Jiuhao Electromechanical Industry Co., Ltd. performed by independent valuation firm. The registration of the transfer was completed on March 8, 2021, upon which Nanjing Jiuhao Electromechanical Industry Co., Ltd. ceased to be the Group's subsidiary.

26 Bank loans

The maturity profile for the interest-bearing bank loans of the Group and the Company at the end of each reporting period is as follows:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Short-term bank loans	293,591	326,007	288,227	348,593
Current portion of long-term bank loans	22,640	11,551	2,232	47,239
Within 1 year or on demand	316,231	337,558	290,459	395,832
After 1 year but within 2 years	8,055	9,900	47,402	774
After 2 years but within 5 years	5,232	9,267	–	6,787
More than 5 years	–	–	–	1,161
	13,287	19,167	47,402	8,722
	329,518	356,725	337,861	404,554

At the end of each reporting period, the bank loans were secured and guaranteed as follows:

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Bank loans				
– Secured	111,709	60,371	25,076	34,518
– Secured and guaranteed	–	42,669	123,477	217,522
– Guaranteed	210,368	250,795	187,884	151,531
– Unsecured and unguaranteed	7,441	2,890	1,424	983
	329,518	356,725	337,861	404,554

Notes:

(i) The Group's bank loans were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Leasehold land *(Note 13)*	25,375	24,409	25,503	25,458
Plants and buildings *(Note 12)*	42,369	38,512	44,724	43,003
Investment properties *(Note 14)*	–	1,091	959	–
Trade and bills receivables *(Note 23)*	42,579	49,936	92,175	101,314
Inventories *(Note 22)*	107,196	161,152	98,519	97,755
Intangible assets *(Note 15)*	2,347	2,050	1,754	1,605
Pledged deposits *(Note 25(b))*	13,196	12,691	10,413	46,287
Other assets	6,251	8,667	6,801	5,243
	239,313	298,508	280,848	320,665

(ii) Certain bank facilities granted to the Group were guaranteed by Mr. Pan Longquan, the ultimate controlling shareholder of the Group, Chervon Global Holdings Limited and pledged with the shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited at December 31, 2018, 2019 and 2020 and June 30, 2021.

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Guarantees and pledges to banks for granting banking facilities	51,254	109,387	151,557	164,798

Pursuant to the agreements on August 18, 2021 and September 9, 2021, guarantees provided by Mr. Pan Longquan and Chervon Global Holdings Limited have been released. Pursuant to the agreements on September 9, 2021 and November 23, 2021, pledged shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited have been released.

27 Lease liabilities

At the end of the reporting periods, the lease liabilities were repayable as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Within 1 year	1,653	2,122	3,161	3,361
After 1 year but within 2 years	1,325	2,037	2,642	3,049
After 2 years but within 5 years	3,693	4,172	4,704	4,345
After 5 years	8,794	7,484	6,171	5,478
	13,812	13,693	13,517	12,872
	15,465	15,815	16,678	16,233

28 Trade and bills payables

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Trade payables	128,682	141,480	217,788	307,706
Bills payable	10,201	22,328	29,741	42,985
	138,883	163,808	247,529	350,691

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

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Within 3 months	121,256	149,286	216,913	310,934
3 to 12 months	17,627	14,522	30,616	39,757
	138,883	163,808	247,529	350,691

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

29 Other payables and accruals

The Group

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Amounts due to related parties	5,949	15,198	8,251	2,441
Other payables and accrued charges	29,761	41,847	78,357	131,932
Salaries, wages, bonus and benefits payable	15,657	18,157	31,726	14,086
Payables for purchase of properties, plants and equipment	878	2,666	2,849	1,828
Interest payables	1,368	1,130	3,062	888
Other tax payables	2,231	8,052	5,256	5,877
Receipt in advance – lease prepayment	655	841	636	509
	56,499	87,891	130,137	157,561

The Company

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Amounts due to subsidiaries	71	700	529	43,619
Other payables and accruals	813	114	355	282
	884	814	884	43,901

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

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

30 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
At the beginning of the year/period	2,575	9,031	13,855	15,347
Provision for the year/period:				
– PRC Corporate Income Tax	(256)	(787)	(1,101)	(5,025)
– Hong Kong Profits Tax	–	–	(2,916)	(7,856)
– Income tax for tax jurisdictions outside PRC and Hong Kong	(598)	(4,241)	(5,869)	(2,387)
Effect of withholding tax on dividends	–	–	(1,275)	–
Over/(under)-provision in respect of prior years	29	(2)	(152)	56
Tax paid:				
– PRC Corporate Income Tax	4,299	7,604	5,891	7,397
– Hong Kong Profits Tax	1,237	26	200	4
– Income tax for tax jurisdictions outside PRC and Hong Kong	2,070	2,431	3,751	6
– Withholding tax	–	–	1,275	–
Exchange adjustment	(325)	(207)	1,688	296
At the end of the year/period	9,031	13,855	15,347	7,838
Represented by:				
Taxation recoverable	11,402	17,764	21,975	22,907
Taxation payable	(2,371)	(3,909)	(6,628)	(15,069)
	9,031	13,855	15,347	7,838

(b) Deferred tax assets and liabilities recognized represents:

(i) The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 are as follows:

	Provision for asset impairment	Unrealized profits on inventories	Deductible tax losses	Deferred income	Accrued expenses	Defined benefit retirement plans obligation	Leases	Fair value change of financial assets at FVPL and derivative financial instruments	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2018	2,013	8,560	6,557	665	1,958	164	(19)	6	19,904
Recognized in profit or loss	(923)	142	2,238	(14)	(62)	–	19	588	1,988
Recognized in other comprehensive income	–	–	–	–	–	2	–	–	2
Exchange adjustment	(46)	–	(342)	(31)	(44)	(7)	–	(9)	(479)
At December 31, 2018 and January 1, 2019	1,044	8,702	8,453	620	1,852	159	–	585	21,415
Recognized in profit or loss	866	(1,463)	(309)	(14)	1,211	–	2	(375)	(82)
Recognized in other comprehensive income	–	–	–	–	–	5	–	–	5
Exchange adjustment	(11)	–	(80)	(10)	(15)	(3)	–	(2)	(121)
At December 31, 2019 and January 1, 2020	1,899	7,239	8,064	596	3,048	161	2	208	21,217
Recognized in profit or loss	291	4,621	(3,070)	(14)	556	–	5	(167)	2,222
Recognized in other comprehensive income	–	–	–	–	–	4	–	–	4
Exchange adjustment	70	–	512	40	94	16	–	3	735
At December 31, 2020 and January 1, 2021	2,260	11,860	5,506	622	3,698	181	7	44	24,178
Recognized in profit or loss	(276)	(1,140)	(1,472)	(7)	290	–	2	112	(2,491)
Recognized in other comprehensive income	–	–	–	–	–	–	–	–	–
Exchange adjustment	5	–	(224)	6	12	(6)	–	–	(207)
At June 30, 2021	1,989	10,720	3,810	621	4,000	175	9	156	21,480

(ii) The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 are as follows:

	Depreciation of properties, plants, and equipment	Properties	Fair value change of financial assets at FVPL and derivative financial instruments	Undistributed profits	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2018	–	(442)	(2,202)	(1,505)	(4,149)
Recognized in profit or loss	(472)	145	465	–	138
Effect of withholding tax on dividends	–	–	–	(344)	(344)
Exchange adjustment	16	16	43	84	159
At December 31, 2018 and January 1, 2019	(456)	(281)	(1,694)	(1,765)	(4,196)
Recognized in profit or loss	(819)	140	386	–	(293)
Effect of withholding tax on dividends	–	–	–	(861)	(861)
Exchange adjustment	17	3	6	39	65
At December 31, 2019 and January 1, 2020	(1,258)	(138)	(1,302)	(2,587)	(5,285)
Recognized in profit or loss	(580)	140	(1,364)	–	(1,804)
Effect of withholding tax on dividends	–	–	–	(1,503)	(1,503)
Exchange adjustment	(120)	(2)	(52)	(263)	(437)
At December 31, 2020 and January 1, 2021	(1,958)	–	(2,718)	(4,353)	(9,029)
Recognized in profit or loss	(94)	–	424	–	330
Effect of withholding tax on dividends	–	–	–	(2,239)	(2,239)
Exchange adjustment	(20)	–	(9)	(45)	(74)
At June 30, 2021	(2,072)	–	(2,303)	(6,637)	(11,012)

(iii) Reconciliation to the consolidated statements of financial position:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Net deferred tax assets recognized in the consolidated statements of financial position	21,415	21,217	24,178	21,480
Net deferred tax liabilities recognized in the consolidated statements of financial position	(4,196)	(5,285)	(9,029)	(11,012)
	17,219	15,932	15,149	10,468

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(t), the Group did not recognize deferred tax assets of USD1,750,000, USD3,395,000, USD5,311,000 and USD6,478,000, respectively, in respect of cumulative tax losses USD7,111,000, USD13,626,000, USD21,427,000, and USD26,622,000 as at December 31, 2018, 2019 and 2020 and June 30, 2021 respectively. It was not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entities.

(d) Deferred tax liabilities not recognized

At December 31, 2018, 2019 and 2020 and June 30, 2021, the Group did not recognize deferred tax liabilities of USD774,000, USD2,825,000, USD5,574,000, and USD5,812,000, respectively, in respect of distributable profits of the Group's subsidiaries amounted to USD2,866,000, USD10,465,000, USD20,646,000, and USD21,526,000, respectively. Although the Group expects to distribute profit after listing, the distributable profits will be principally contributed by the operation profits of its PRC and Hong Kong subsidiaries. As the Group controls the timing of the reversal of temporary differences associated with undistributed profits of its subsidiaries and it has been determined that it is probable that certain portion of the undistributed profits earned by the Group's subsidiaries will not be distributed in the foreseeable future, therefore no deferred tax liabilities arisen from above mentioned undistributed profits not probable to be distributed in the foreseeable future was recognized as at December 31, 2018, 2019 and 2020 and June 30, 2021.

31 Warranty provision

	Total
	USD'000
At January 1, 2018	21,704
Provision in the year	9,900
Utilization of provision	(11,205)
Exchange adjustment	(5)
At December 31, 2018 and January 1, 2019	20,394
Provision in the year	22,056
Utilization of provision	(18,791)
Exchange adjustment	(19)
At December 31, 2019 and January 1, 2020	23,640
Provision in the year	38,624
Utilization of provision	(16,380)
Exchange adjustment	66
At December 31, 2020 and January 1, 2021	45,950
Provision in the six-month period	11,660
Utilization of provision	(6,575)
Exchange adjustment	(24)
At June 30, 2021	51,011

Reconciliation to the consolidated statements of financial position:

	At December 31,			**At June 30,**
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Warranty provision – current	7,273	8,394	15,175	18,796
Warranty provision – non-current	13,121	15,246	30,775	32,215
	20,394	23,640	45,950	51,011

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within two or three years of the date of sale. The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims.

32 Refund liabilities from right of return

	Total
	USD'000
At January 1, 2018	688
Provision in the year	12,507
Utilization of provision	(10,573)
At December 31, 2018 and January 1, 2019	2,622
Provision in the year	17,936
Utilization of provision	(17,481)
At December 31, 2019 and January 1, 2020	3,077
Provision in the year	28,883
Utilization of provision	(23,742)
At December 31, 2020 and January 1, 2021	8,218
Provision in the six-month period	2,193
Utilization of provision	(4,497)
At June 30, 2021	5,914

Under the terms of the Group's sales agreements, the Group will rectify any product return arising within six months of the date of sale. The refund liabilities represent management's best estimate of the Group's service commitments arising from products sold, based on past experiences.

33 Deferred income

As at December 31, 2018, 2019 and 2020 and June 30, 2021, deferred income represented unamortized conditional government grants amounting to USD4,131,000, USD3,974,000 and USD4,152,000 and USD4,145,000, for land levelling compensation.

34 Employee retirement benefits

(a) Defined benefit retirement plans obligation

The Group has defined benefit retirement plans ("Plans") for its employees in the German subsidiaries.

The Group provides pension benefits for those employees who retire in the form of life-long annuities. These are in-line with usual German market practice and do not constitute any unusual or company-specific risks or require any specific regulatory framework to be taken into account. The costs of the Plans are solely funded by the Group.

The calculation is performed by qualified staff of Kern Mauch & Kollegen GmbH, an independent actuarial firm. The actuarial valuations of the defined benefit retirement obligation were performed in accordance with HKAS 19 "Employee Benefits" by actuaries using the projected unit credit method in the Relevant Periods.

(i) The amounts recognized in the consolidated statement of financial position are as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Present value of defined benefit retirement plans obligation	922	921	972	956

(ii) Movements in the present value of the defined benefit retirement plans obligation:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
At the beginning of the year/period	1,021	922	921	972
Remeasurements effect recognized in other comprehensive income				
– Actuarial loss	19	86	39	25
– Exchange adjustment	(42)	(19)	88	(48)
	998	989	1,048	949
Benefits paid by the plans	(92)	(84)	(85)	–
Current service cost	2	2	2	1
Interest cost	14	14	7	6
At the end of the year/period	922	921	972	956

(iii) Amounts recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current service cost	2	2	2	1
Interest on defined benefit retirement plans obligation	14	14	7	6
Total amounts recognized in profit or loss *(Note 6(b))*	16	16	9	7
Actuarial loss	19	86	39	25
Exchange adjustment	(42)	(19)	88	(48)
Total amounts recognized in other comprehensive income	(23)	67	127	(23)
Total defined benefit costs	(7)	83	136	(16)

(iv) The current service cost and the interest on defined retirement obligation are recognized in the following line items in the consolidated statement of profit or loss:

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Cost of sales	16	16	9	7

(v) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Discount rate	1.40%	1.61%	0.75%	0.26%
Rate of pension increase	1%	1%	1%	1%
Death rate	RT 2018 G	RT 2018 G	RT 2018 G	RT 2018 G
Retirement age	age 65	age 65	age 65	age 65
Staff turnover	0.00%	0.00%	0.00%	0.00%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of 20% change in the discount rate:

	At December 31,						At June 30,	
	2018		2019		2020		2021	
	Increase in 20% USD'000	*Decrease in 20% USD'000*	*Increase in 20% USD'000*	*Decrease in 20% USD'000*	*Increase in 20% USD'000*	*Decrease in 20% USD'000*	*Increase in 20% USD'000*	*Decrease in 20% USD'000*
Discount rate	(17)	17	(17)	17	(15)	16	(16)	16

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Group participate in defined contribution retirement plans (the "Schemes") organized by the local authorities whereby the entities are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group's subsidiaries in jurisdictions other than the PRC, make contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdiction in which such subsidiary located.

35 Equity settled share-based transactions

Pursuant to a resolution of the board of directors of the Company passed on December 30, 2020, a Share Incentive Scheme ("Share Incentive Scheme") was adopted for purpose of providing incentives to the qualified employees of the Group. The Share Incentive Scheme granted to qualified employees of the Group for the right to subscribe a total of 11,670,500 ordinary shares of the Company (the "Share Awards"). As there is no service condition of the Share Incentive Scheme, the Share Awards were fully vested on December 30, 2020.

Under the Share Incentive Scheme, the Share Awards were granted to 429 employees of the Group through 12 shareholding platforms at a price of HKD4.7529 (equivalent to USD0.6093) per share.

Fair value of shares granted

The fair value of the Share Awards granted was calculated based on the fair value of underlying ordinary shares as at the grant date. The directors have used the income approach to determine the fair value of the underlying shares of the Company.

Grant date	Grant date fair value
December 30, 2020	RMB185,093,000

Share-based payment expense of RMB138,358,000 (USD21,077,000 equivalent) is recognized as staff costs (Note 6(b)) in the consolidated statements of profit or loss for the year ended December 31, 2020.

The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market. The discount rates used for the grant date fair value were 13.56%.

The directors estimated the risk-free interest rate based on the yield of Chinese government bonds with maturity of 30 years. Weighted average cost of capital was estimated based on selected comparable companies.

36 Capital, reserves and dividends

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

	Note	Share capital	Reserves: Other reserve	Reserves: Retained profits	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*
At January 1, 2018		50,279	–	144,337	194,616
Changes in equity for 2018:					
Profit and total comprehensive income for the year		–	–	10,442	10,442
Appropriation of dividends	*36(b)*	–	–	(4,500)	(4,500)
Balance at December 31, 2018 and January 1, 2019		50,279	–	150,279	200,558
Change in equity for 2019:					
Profit and total comprehensive income for the year		–	–	8,774	8,774
Balance at December 31, 2019 and January 1, 2020		50,279	–	159,053	209,332
Changes in equity for 2020:					
Profit and total comprehensive income for the year		–	–	4,186	4,186
Equity settled share-based transactions	*35*	–	21,077	–	21,077
Appropriation of dividends	*36(b)*	–	–	(3,691)	(3,691)
Balance at December 31, 2020 and January 1, 2021		50,279	21,077	159,548	230,904
Changes in equity for the six months ended June 30, 2021:					
Loss and total comprehensive income for the six-month period		–	–	(2,018)	(2,018)
Issuance of ordinary shares		7,856	–	–	7,856
Appropriation of dividends	*36(b)*	–	–	(15,000)	(15,000)
Balance at June 30, 2021		58,135	21,077	142,530	221,742

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 is as follow:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Dividends in respect of previous financial years declared and approved	4,500	–	3,691	–	15,000

On December 1, 2018, July 1, 2020 and January 31, 2021, the directors of the Company approved a dividend of USD4,500,000, USD3,691,000 and USD15,000,000, respectively.

(c) Share capital

	Note	*Number of Shares*	*HKD'000*	*USD'000*
Ordinary shares, issued and fully paid:				
At January 1, 2018, December 31, 2018, December 31, 2019, December 31, 2020 and January 1, 2021		390,000,000	390,000	50,279
Issuance of ordinary shares under right issues	*(i)*	5,844,911	5,845	749
Issuance of ordinary shares under the Share Incentive Scheme *(Note 35)*		11,670,500	55,435	7,107
At June 30, 2021		407,515,411	451,280	58,135

Note:

(i) Pursuant to a written resolution dated March 17, 2021, the Company issued and allotted a total of 5,844,911 shares by way of rights issue at the subscription price of HKD1.00 to the shareholders.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Other reserve

Other reserve primarily represented the portion of the grant date fair value of shares granted by the Share Incentive Scheme to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(s)(iv).

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than USD. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(x).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net gearing ratio. For this purpose, the Group defines net debt as total current and non-current bank loans and lease liabilities less cash and cash equivalents and pledged deposits. The Group defines capital as including all components of equity.

The Group's net debt to capital ratio as at December 31, 2018, 2019 and 2020 and June 30, 2021 are as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Current liabilities:				
Bank loans	316,231	337,558	290,459	395,832
Lease liabilities	1,653	2,122	3,161	3,361
	317,884	339,680	293,620	399,193
Non-current liabilities:				
Bank loans	13,287	19,167	47,402	8,722
Lease liabilities	13,812	13,693	13,517	12,872
Total borrowings	27,099	32,860	60,919	21,594
Less: Cash and cash equivalents	(73,266)	(94,064)	(166,937)	(238,582)
Pledged deposits	(24,713)	(23,193)	(22,172)	(63,491)
Net debt	247,004	255,283	165,430	118,714
Total equity	167,115	200,838	284,024	338,922
Net debt to capital ratio	148%	127%	58%	35%

37 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 39, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 39.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2018, 2019 and 2020 and June 30, 2021, 11%, 11%, 36% and 39% of the total trade receivables was due from the Group's largest customer and 49%, 52%, 67% and 66% was due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each reporting period:

	At December 31, 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*USD'000*	*USD'000*
Current (not past due)	0.85%	96,095	(817)
Less than 3 months past due	1.13%	9,405	(106)
More than 3 months but less than 12 months past due	4.80%	7,458	(358)
More than 12 months but less than 24 months past due	10.45%	4,651	(486)
More than 24 months but less than 36 months past due	34.18%	863	(295)
More than 36 months past due	100.00%	123	(123)
		118,595	(2,185)

	At December 31, 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*USD'000*	*USD'000*
Current (not past due)	1.08%	103,102	(1,114)
Less than 3 months past due	1.17%	9,440	(110)
More than 3 months but less than 12 months past due	5.20%	3,805	(198)
More than 12 months but less than 24 months past due	10.60%	962	(102)
More than 24 months but less than 36 months past due	39.86%	567	(226)
More than 36 months past due	100.00%	489	(489)
		118,365	(2,239)

	At December 31, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*USD'000*	*USD'000*
Current (not past due)	1.05%	137,947	(1,446)
Less than 3 months past due	1.09%	24,555	(267)
More than 3 months but less than 12 months past due	3.84%	3,337	(128)
More than 12 months but less than 24 months past due	10.21%	519	(53)
More than 24 months but less than 36 months past due	26.67%	15	(4)
More than 36 months past due	100.00%	254	(254)
		166,627	(2,152)

	At June 30, 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*USD'000*	*USD'000*
Current (not past due)	1.06%	165,897	(1,754)
Less than 3 months past due	1.10%	14,300	(158)
More than 3 months but less than 12 months past due	4.51%	4,387	(198)
More than 12 months but less than 24 months past due	13.58%	589	(80)
More than 24 months but less than 36 months past due	22.16%	167	(37)
More than 36 months past due	100.00%	247	(247)
		185,587	(2,474)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance in respect of trade receivables during the Relevant Periods is as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
At the beginning of the year/period	5,069	2,185	2,239	2,152
Impairment loss recognized	(2,702)	1,259	(103)	321
Amounts written off during the year/period	(90)	(1,184)	(63)	–
Exchange adjustment	(92)	(21)	79	1
At the end of the year/period	2,185	2,239	2,152	2,474

The following significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021:

– origination of new trade receivables net of those settled resulted in a decrease of USD2,702,000, an increase in loss allowance of USD1,259,000, a decrease of USD103,000 and an increase of USD321,000, respectively.

– a write-off of trade receivables with a gross carrying amount of USD90,000 USD1,184,000, USD63,000 and USD nil resulted in a decrease in loss allowance, respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	At December 31, 2018					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at December 31, 2018**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	324,746	8,576	5,397	–	338,719	329,518
Lease liabilities	1,922	1,540	4,293	9,956	17,711	15,465
Trade and bills payables	138,883	–	–	–	138,883	138,883
Other payables and accruals	56,499	–	–	–	56,499	56,499
Refund liabilities from right of return	2,622	–	–	–	2,622	2,622
	524,672	10,116	9,690	9,956	554,434	542,987
Financial guarantees issued: Maximum amount guaranteed (Note 39)	874	–	–	–	874	–
Derivatives settled gross: Foreign currency forward and option contracts (Note 21)						
– outflow	(136,837)	–	–	–	(136,837)	–
– inflow	140,050	–	–	–	140,050	–

	At December 31, 2019					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2019
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	346,758	10,666	9,312	–	366,736	356,725
Lease liabilities	2,511	2,349	5,178	8,343	18,381	15,815
Trade and bills payables	163,808	–	–	–	163,808	163,808
Other payables and accruals	87,891	–	–	–	87,891	87,891
Refund liabilities from right of return	3,077	–	–	–	3,077	3,077
	604,045	13,015	14,490	8,343	639,893	627,316
Financial guarantees issued: Maximum amount guaranteed (Note 39)	1,003	–	–	–	1,003	–
Derivatives settled gross: Foreign currency forward and option contracts (Note 21)						
– outflow	(136,322)	–	–	–	(136,322)	–
– inflow	136,660	–	–	–	136,660	–

	At December 31, 2020					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2020
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	298,219	47,690	–	–	345,909	337,861
Lease liabilities	3,752	3,086	5,636	6,777	19,251	16,678
Trade and bills payables	247,529	–	–	–	247,529	247,529
Other payables and accruals	130,137	–	–	–	130,137	130,137
Refund liabilities from right of return	8,218	–	–	–	8,218	8,218
	687,855	50,776	5,636	6,777	751,044	740,423
Financial guarantees issued: Maximum amount guaranteed (Note 39)	9,808	–	–	–	9,808	–
Derivatives settled gross: Foreign currency forward and option contracts (Note 21)						
– outflow	(231,113)	–	–	–	(231,113)	–
– inflow	225,575	–	–	–	225,575	–

	At June 30, 2021					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at June 30, 2021
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank loans	402,788	1,181	7,542	1,189	412,700	404,554
Lease liabilities	3,361	3,049	4,345	5,478	16,233	16,233
Trade and bills payables	350,691	–	–	–	350,691	350,691
Other payables and accruals	157,561	–	–	–	157,561	157,561
Refund liabilities from right of return	5,914	–	–	–	5,914	5,914
	920,315	4,230	11,887	6,667	943,099	934,953
Financial guarantees issued: Maximum amount guaranteed *(Note 39)*	9,907	–	–	–	9,907	–
Derivatives settled gross: Foreign currency forward and option contracts *(Note 21)*						
– outflow	(204,910)	–	–	–	(204,910)	–
– inflow	202,421	–	–	–	202,421	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings as at the end of each reporting period:

	At December 31,						At June 30,	
	2018		2019		2020		2021	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*
Fixed rate borrowings:								
Bank loans	*3.6850%-9.1700%*	186,487	*3.2625%-9.4865%*	231,083	*1.4073%-6.6000%*	76,911	*1.5000%-4.9000%*	296,841

	At December 31,						At June 30,	
	2018		2019		2020		2021	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*
Variable rate borrowings:								
Bank loans	*1.9000%-5.7600%*	143,031	*2.2000%-6.6000%*	125,642	*1.6439%-3.3939%*	260,950	0.7000%-5.1450%	107,713
Total borrowings		329,518		356,725		337,861		404,554
Fixed rate borrowings as a percentage of total borrowings		*57%*		*65%*		*23%*		*73%*

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and decreased/increased retained profits by approximately USD1,066,000 as at December 31, 2018 and decreased/increased the Group's profit after taxation and retained profits by approximately USD936,000, USD1,944,000 and USD802,000 in response to the general increase or decrease in interest rates as at December 31, 2019 and 2020 and June 30, 2021.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis is performed on the same basis as 2018.

The sensitivity analysis above indicates the instantaneous change in the Group's (loss)/profit after taxation (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to floating rate non-derivative instruments held by the Group, which expose the Group to cash flow interest rate risk. The impact on the Group's (loss)/profit after taxation (and retained profits) is estimated as an annualized impact on interest expense of such a change in interest rates. Fixed rate financial instruments are excluded for the above analysis. The analysis is performed on the same basis during the Relevant Periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchase and borrowings which give rise to receivables, payables, cash balances and bank loans that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD.

(i) Exposure to currency risk

The following table details the Group's exposure as at December 31, 2018, 2019 and 2020 and June 30, 2021 to currency risk arising from the recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of exposure are shown in USD translated using the spot rate of the end of each reporting period. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than USD into the Group's presentation currency are excluded.

As the HKD is pegged to the USD, the group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
USD				
Cash and cash equivalents	30,069	30,783	63,925	59,984
Trade and bills receivables	148,318	218,921	209,209	220,583
Bank loans	(99,068)	(101,126)	(53,323)	(82,311)
Trade and bills payables	(10,041)	(3,595)	(3,714)	(7,345)
Other payables and accruals	–	–	(96)	(105)
Gross exposure arising from recognized assets and liabilities	69,278	144,983	216,001	190,806
Notional amounts of forward exchange contracts and foreign currency option contracts used as economic hedges	(56,812)	(24,700)	(87,000)	(77,100)
Net exposure arising from recognized assets and liabilities	12,466	120,283	129,001	113,706

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
EUR				
Cash and cash equivalents	711	4,372	3,997	11,461
Trade and bills receivables	25,131	36,028	37,485	58,460
Trade and bills payables	(6,074)	(3,443)	(13,682)	(19,162)
Other payables and accruals	–	(441)	(445)	–
Gross exposure arising from recognized assets and liabilities	19,768	36,516	27,355	50,759
Notional amounts of forward exchange contracts and foreign currency option contracts used as economic hedges	(4,802)	(2,017)	(19,592)	(11,672)
Net exposure arising from recognized assets and liabilities	14,966	34,499	7,763	39,087

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's (loss)/profit after taxation (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	2018		2019		2020		Six months ended June 30, 2021	
	Increase/(decrease) in foreign exchange rates	Effect on loss after taxation and retained profits	Increase/(decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/(decrease) in foreign exchange rates	Effect on profit after taxation and retained profits	Increase/(decrease) in foreign exchange rates	Effect on profit after taxation and retained profits
	%	*USD'000*	%	*USD'000*	%	*USD'000*	%	*USD'000*
USD	1%	93	1%	902	1%	968	1%	853
	(1%)	(93)	(1%)	(902)	(1%)	(968)	(1%)	(853)
EUR	1%	111	1%	255	1%	57	1%	289
	(1%)	(111)	(1%)	(255)	(1%)	(57)	(1%)	(289)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into USD at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at December 31, 2018, 2019 and 2020 and June 30, 2021, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not USD. The analysis is performed on the same basis for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021.

(e) Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of derivative financial instruments as at December 31, 2018, 2019 and 2020 and June 30, 2021 are as follows:

	Fair value at December 31, 2018	Fair value measurement at December 31, 2018 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	15,236	–	–	15,236
– Insurance product	5,482	–	–	5,482
– Structured deposits and wealth management products	2,798	–	–	2,798
– Trading securities	9,582	9,582	–	–
Derivative financial instruments				
– Foreign currency forward contracts	(2,381)	–	(2,381)	–
– Foreign currency option contracts	(746)	–	(746)	–
– Interest rate swap contracts	(19)	–	(19)	–
– Copper commodity swap contracts	(67)	–	(67)	–
Trade receivables	3,011	–	–	3,011

	Fair value at December 31, 2019	Fair value measurement at December 31, 2019 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	11,604	–	–	11,604
– Insurance product	5,663	–	–	5,663
– Structured deposits and wealth management products	3,584	–	–	3,584
– Trading securities	11	11	–	–
Derivative financial instruments				
– Foreign currency forward contracts	(215)	–	(215)	–
– Foreign currency option contracts	(123)	–	(123)	–
Trade receivables	14,800	–	–	14,800

	Fair value at December 31, 2020	Fair value measurement at December 31, 2020 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	5	–	–	5
– Insurance product	5,844	–	–	5,844
– Structured deposits and wealth management products	5,372	–	–	5,372
Derivative financial instruments				
– Foreign currency forward contracts	5,505	–	5,505	–
– Foreign currency option contracts	33	–	33	–
Trade receivables	85,147	–	–	85,147

	Fair value at June 30, 2021	Fair value measurement at June 30, 2021 categorized into		
	USD'000	*Level 1*	*Level 2*	*Level 3*
Recurring fair value measurement				
Financial assets at FVPL				
– Insurance product	5,938	–	–	5,938
– Structured deposits and wealth management products	2,785	–	–	2,785
Derivative financial instruments				
– Foreign currency forward contracts	2,562	–	2,562	–
– Foreign currency option contracts	(73)	–	(73)	–
Trade receivables	127,274	–	–	127,274

During the years ended December 31, 2018, 2019 and 2020 and June 30, 2021, there were no transfers, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to transfer the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted units in investment funds	Net asset value (Note i)	Net asset value of underlying investments
Insurance product	Cash value (Note ii)	Expected return rate
Structured deposits and wealth management products	Discounted cash flow (Note iii)	Expected return rate
Trade receivables	Discounted cash flow (Note iv)	Expected return rate

Notes:

(i) The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have decreased/increased the Group's loss for the year by USD571,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the year/period by USD435,000, USD nil, and USD nil, respectively.

(ii) The fair value of insurance product is the cash value that can be recovered from insurance company. The fair value measurement is positively correlated to expected return rate. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in fair value of insurance product by 5% would have decreased/increased the Group's loss for the year by USD201,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in fair value of insurance product by 5% would have increased/decreased the Group's profit for the year/period by USD208,000, USD215,000, and USD218,000, respectively.

(iii) The fair value of structured deposits and wealth management products is calculated by discounting the expected future cash flows. The fair value measurement is positively correlated to expected return rate. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in fair value of structured deposits and wealth management products by 5% would have decreased/increased the Group's loss for the year by USD105,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in fair value of structured deposits and wealth management products by 5% would have increased/decreased the Group's profit for the year/period by USD134,000, USD201,000 and USD104,000, respectively.

(iv) The fair value of trade receivables is calculated by discounting the expected future cash flows. The fair value measurement is positively correlated to expected return rate. As at December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in fair value of trade receivables by 5% would have decreased/increased the Group's loss for the year by USD112,000, and as at December 31, 2019 and 2020 and June 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in fair value of trade receivables by 5% would have increased/decreased the Group's profit for the year/period by USD551,000, USD3,172,000 and USD4,741,000 respectively.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement for Financial assets at FVPL in Level 3 of the fair value hierarchy:

	Financial assets at FVPL
	USD'000
As at January 1, 2018	37,510
Net realized and unrealized gains on financial assets at FVPL	(83)
Purchases	44,395
Sales and settlements	(56,602)
Exchange difference	(1,704)
As at December 31, 2018 and January 1, 2019	23,516
Net realized and unrealized gains on financial assets at FVPL	(41)
Purchases	141,906
Sales and settlements	(134,125)
Disposal of subsidiaries	(10,546)
Exchange difference	141
As at December 31, 2019 and January 1, 2020	20,851
Net realized and unrealized losses on financial assets at FVPL	165
Purchases	133,541
Sales and settlements	(144,080)
Exchange difference	744
As at December 31, 2020 and January 1, 2021	11,221
Net realized and unrealized losses on financial assets at FVPL	454
Purchases	123,263
Sales and settlements	(125,480)
Disposal of subsidiaries	(474)
Exchange difference	(261)
As at June 30, 2021	8,723

Trade receivables carried at FVOCI are not materially different from their values as at December 31, 2018, 2019 and 2020 and June 30, 2021.

All financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at December 31, 2018, 2019 and 2020 and June 30, 2021.

38 Capital commitments

Capital commitments outstanding at the respective year/period end not provided for in the Historical Financial Information are as follows:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Contracted for	54,076	49,536	47,326	38,897
Authorised but not contracted for	–	–	2,153	459,515
	54,076	49,536	49,479	498,412
Represented by:				
Construction of plant and buildings	52,507	48,547	46,900	492,813
Acquisition of machinery and equipment	1,569	989	2,579	5,599
	54,076	49,536	49,479	498,412

39 Contingent liabilities

(a) Guarantee to Chervon Auto Precision Technology

The Group has issued guarantees in respect of loans made by certain financial institutions to the Chervon Auto Precision Technology in the Relevant Periods (see Note 40(c))

(b) Guarantee to customers

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third-party customers of the Group. The maximum exposures to the Group are limited to the facilities granted to individual customer. Details of guarantee to customers are set out below:

	2018		2019		2020		Six months ended June 30, 2021	
	Maximum guarantee amount	Guarantee issued	Maximum guarantee amount	Guarantee issued	Maximum guarantee amount	Guarantee issued	Maximum guarantee amount	Guarantee issued
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Bank A	–	–	–	–	8,429	1,137	8,514	2,174
Bank B	874	718	1,003	942	1,379	790	1,393	768
	874	718	1,003	942	9,808	1,927	9,907	2,942

40 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Short-term employee benefits	3,364	3,728	4,471	1,633	1,837
Contributions to defined contribution retirement plans	189	177	159	88	132
Equity settled share-based payment expenses	–	–	2,877	–	–
	3,553	3,905	7,507	1,721	1,969

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had other material transactions with the Group during the Track Record Period:

Name of related party	Relationship
Mr. Pan Longquan	Ultimate controlling shareholder of the Group
Ms. Zhang Tong	Director of the Group
Mr. Ke Zuqian	Director of the Group
Mr. Xiao Jun	Director of the Group
Nanjing Jiangning Lianshang Investment Co., Ltd.	Associate of the Group
Nanjing Chervon Auto Precision Technology Co., Ltd.	Associate of the Group
Nanjing Suquan Investment Co., Ltd.	Associate of the Group
Nanjing Yaoquan Investment Management Co., Ltd.	Associate of the Group
Nanjing Bovon Power Tools Co., Ltd.	Joint Venture of the Group
Cheng and Cheng Corporate Services Limited	Controlled by a director of the Group
Cheng and Cheng Taxation Service Limited	Controlled by a director of the Group
Cheng and Cheng Limited	Controlled by a director of the Group
Chervon Global Holdings Limited	Controlled by the ultimate controlling shareholder of the Group
Chervon Precision Technology Holdings Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Nanjing Jiuhao Electromechanical Industry Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group
Chervon (Nanjing) Management Services Co., Ltd.	Controlled by the ultimate controlling shareholder of the Group

(c) Guarantees issued by related parties

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Banking facilities granted to the Group with guarantees and pledges issued by related parties	51,254	109,387	151,557	164,798

Pursuant to the agreements on August 18, 2021 and September 9, 2021, guarantees provided by Mr. Pan Longquan and Chervon Global Holdings Limited have been released. Pursuant to the agreements on September 9, 2021 and November 23, 2021, pledged shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited have been released.

(d) Guarantees issued to related parties

	At December 31,			At June 30,
	2018	**2019**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Guarantees issued to Nanjing Chervon Auto Precision Technology Co., Ltd.	25,322	9,516	8,706	3,096

At December 31, 2018, 2019 and 2020 and June 30, 2021, guarantees were issued to Nanjing Chervon Auto Precision Technology Co., Ltd. for its bank facilities. All guarantees issued to Nanjing Chervon Auto Precision Technology Co., Ltd. were released in September 2021.

(e) Other significant related party transactions

During the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, the Group had following transactions with related parties:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Purchase of goods and service					
Nanjing Chervon Auto Precision Technology Co., Ltd.	58	151	–	–	–
Cheng and Cheng Taxation Service Limited	10	10	9	6	5
Cheng and Cheng Corporate Services Limited	6	6	6	4	6
Cheng and Cheng Limited	1	14	–	–	–
Nanjing Bovon Power Tools Co., Ltd.	4,837	–	–	–	–
	4,912	181	15	10	11
Sales of goods and rendering of services					
Nanjing Bovon Power Tools Co., Ltd	6,336	–	–	–	–
Lease payment from					
Nanjing Chervon Auto Precision Technology Co., Ltd.	87	53	76	75	155
Nanjing Yaoquan Investment Management Co., Ltd.	–	17	17	9	9
Nanjing Bovon Power Tools Co., Ltd.	32	–	–	–	–
	119	70	93	84	164
Lease payment to					
Nanjing Chervon Auto Precision Technology Co., Ltd.	443	106	114	8	8

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Disposal of interest in subsidiaries and associates					
Xiao Jun	–	1,584	–	–	–
Chervon (Nanjing) Management Services Co., Ltd.	–	–	–	–	33,665
	–	1,584	–	–	33,665
Acquisition of non-controlling interests					
Pan Longquan	–	–	–	–	14,236
Zhang Tong	–	–	–	–	8,514
Ke Zuqian	–	–	–	–	5,676
	–	–	–	–	28,426
Disposal of unlisted units in investment funds					
Chervon Global Holdings Limited	–	–	8,917	–	–
Dividends received					
Nanjing Jiangning Lianshang Investment Co., Ltd.	–	–	3,162	–	–
Nanjing Chervon Auto Precision Technology Co., Ltd.	–	–	1,005	1,005	540
Nanjing Bovon Power Tools Co., Ltd.	1,003	1,018	–	–	–
	1,003	1,018	4,167	1,005	540
Sales of properties, plants and equipment					
Nanjing Bovon Power Tools Co., Ltd.	1	–	–	–	–

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000* *(unaudited)*	*USD'000*
Payments made on behalf of related parties					
Nanjing Bovon Power Tools Co., Ltd.	30	–	–	–	–
Nanjing Chervon Auto Precision Technology Co., Ltd.	1,775	1,227	1,169	439	387
	1,805	1,227	1,169	439	387
Receivables made on behalf of a related party					
Nanjing Chervon Auto Precision Technology Co., Ltd	86	84	110	36	70
Advance to related parties					
Chervon Global Holdings Limited	–	–	505	–	781
Pan Longquan	7	1	472	–	–
Zhang Tong	4	–	257	–	–
	11	1	1,234	–	781
Repayment from related parties					
Pan Longquan	–	–	–	–	508
Zhang Tong	–	–	–	–	277
	–	–	–	–	785

(f) Significant related party balances

At December 31, 2018, 2019 and 2020 and June 30, 2021, the Group had following in nature balances with related parties:

	At December 31,			At June 30,
	2018	2019	2020	2021
	USD'000	*USD'000*	*USD'000*	*USD'000*
Trade and bills receivables				
Nanjing Bovon Power Tools Co., Ltd.	144	–	–	–
Trade and bills payables				
Nanjing Bovon Power Tools Co., Ltd.	1,836	–	–	–
Prepayments, deposits and other receivables (Non-trade) (Note 24)				
Nanjing Yaoquan Investment Management Co., Ltd.	–	9,380	9,475	–
Chervon Global Holdings Limited	–	–	9,502	1,303
Nanjing Bovon Power Tools Co., Ltd.	47	–	–	–
Pan Longquan	7	8	556	–
Zhang Tong	4	4	302	–
Xiao Jun	–	1,567	1,652	–
	58	10,959	21,487	1,303
Other payables and accruals (Non-trade) (Note 29)				
Pan Longquan	3,853	3,658	3,980	–
Zhang Tong	2,025	1,925	2,094	–
Nanjing Suquan Investment Co., Ltd	–	1,887	2,042	–
Chervon Global Holdings Limited	71	688	135	–
Nanjing Jiuhao Electromechanical Industry Co., Ltd.	–	–	–	2,441
Nanjing Jiangning Lianshang Investment Co., Ltd.	–	7,040	–	–
	5,949	15,198	8,251	2,441
Guarantees issued to Nanjing Chervon Auto Precision Technology Co., Ltd.	71,626	35,667	9,196	–

The directors of the Company confirm that the non-trade balance will be settled before the listing of the Company's shares on the Stock Exchange.

41 Immediate and ultimate controlling party

At June 30, 2021, the directors of the Company consider the immediate parent of the Group is Panmercy Holdings Limited, a company incorporated in Hong Kong, while as at December 31, 2018, 2019 and 2020, the immediate parent of the Group is Chervon Global Holdings Limited, a company incorporated in BVI.

The ultimate controlling party of the Group is Mr. Pan Longquan, Chairman of the Group. Panmercy Holdings Limited and Chervon Global Holdings Limited do not produce financial statements available for public use.

42 Possible impact of amendments, new standards and interpretations issued but not yet effective for year ended December 31, 2021

Up to date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance Contracts*, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts – cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

43 Subsequent events

On August 3, 2021, Chervon Auto Precision Technology announced that it has obtained approval from the CSRC to issue public A-share convertible bonds in an aggregate principal amount of RMB620,000,000 (US$95,900,000) with a maturity date on the sixth year after the date of issuance. Pursuant to the terms of the convertible bond offering, an existing shareholder of Chervon Auto Precision Technology has pre-emptive rights to subscribe for the convertible bonds in an amount up to the proportional interests of such shareholder in Chervon Auto Precision Technology. As of September 30, 2021, Chervon (China) Investment, which is our wholly-owned subsidiary and owns 23.12% of Chervon Auto Precision Technology, has exercised and paid for such pre-emptive rights to subscribe for RMB118,500,000 (US$18,300,000) of the principal amount of the convertible bond. As the convertible bonds may not be converted for a period of six months from the date of completion, Chervon (China) Investment cannot and does not intend to convert such convertible bonds before the completion of the Global Offering.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2021.