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Chervon Holdings Limited

泉峰控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 2285)

CONNECTED TRANSACTION

PROPOSED SUBSCRIPTION FOR A SHARES OF CHERVON AUTO PRECISION TECHNOLOGY TO BE ISSUED THROUGH NON-PUBLIC OFFERING

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The Board announces that on January 28, 2022, Chervon (China) Investment, a wholly owned subsidiary of the Company, entered into the Subscription Agreement, pursuant to which Chervon (China) Investment conditionally agreed to subscribe for the A shares of Chervon Auto Precision Technology with a total subscription amount of up to RMB500,000,000. Upon completion of the Proposed Subscription, Chervon Auto Precision Technology will not become a subsidiary of Chervon (China) Investment.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chervon Auto Precision Technology is owned as to 35.75% by Chervon Precision Technology, which is an indirect non-wholly owned subsidiary of Panmercy, the controlling Shareholder of the Company. Chervon Auto Precision Technology is therefore an associate of Panmercy and a connected person of the Company under the Hong Kong Listing Rules. As such, the transaction contemplated under the Subscription Agreement constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) in respect of the transaction contemplated under the Subscription Agreement exceeds 0.1% but is less than 5%, the transaction is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

The Board announces that on January 28, 2022, Chervon (China) Investment, a wholly owned subsidiary of the Company, entered into the Subscription Agreement, pursuant to which Chervon (China) Investment conditionally agreed to subscribe for the A shares of Chervon Auto Precision Technology with a total subscription amount of up to RMB500,000,000. Upon completion of the Proposed Subscription, Chervon Auto Precision Technology will not become a subsidiary of Chervon (China) Investment.

2. SUBSCRIPTION AGREEMENT

(1) Date

January 28, 2022

(2) Parties

- (i) Chervon (China) Investment (as the subscriber); and
- (ii) Chervon Auto Precision Technology (as the issuer).

(3) Proposed Subscription

Conditional upon the approval by the CSRC, Chervon Auto Precision Technology proposes to issue a maximum of 60,424,710 A shares to targeted subscribers including Chervon (China) Investment through non-public offering to raise gross proceeds of up to RMB2,283,607,400. The maximum number of the A shares to be issued may be adjusted in accordance with the relevant rules of the Shanghai Stock Exchange upon (i) the occurrence of ex-rights events such as bonus shares, allotment of shares, capitalization of capital reserves; or (ii) a change in the share capital of Chervon Auto Precision Technology due to events such as registration of restricted shares, repurchase of cancelled restricted shares and conversion of convertible bonds.

Pursuant to the Subscription Agreement, Chervon (China) Investment conditionally agreed to subscribe for the A shares to be issued by Chervon Auto Precision Technology with a total subscription amount of up to RMB500,000,000.

The final total number of A shares of Chervon Auto Precision Technology to be subscribed by Chervon (China) Investment will be determined by the total subscription amount divided by the final subscription price per A share, rounding down to the nearest integer and subject to the final approval of the CSRC. The final number of A shares to be subscribed (i) shall represent not more than 10% of the enlarged total issued share capital of Chervon Auto Precision Technology upon completion of the non-public offering; and (ii) shall not result in Chervon (China) Investment becoming a controlling shareholder of Chervon Auto Precision Technology under the relevant rules of the Shanghai Stock Exchange.

The final subscription price per A share and the final total subscription amount will be set out in a supplemental agreement to be entered between Chervon (China) Investment and Chervon Auto Precision Technology and the Company will make further announcement(s) as and when appropriate.

Upon completion of the Proposed Subscription, Chervon Auto Precision will not become a subsidiary of the Company.

(4) Consideration

The subscription price for the Proposed Subscription will be determined through bidding based on the minimum subscription price of the non-public offering by Chervon Auto Precision Technology, representing not less than 80% of the average trading price of the A shares in the 20 trading days prior to the first day of the issuance period and may be adjusted upon the occurrence of any ex-dividend or ex-rights event to Chervon Auto Precision Technology between the date of determining the minimum subscription price and the date of the proposed issuance of the A shares.

Chervon (China) Investment, as a connected person of Chervon Auto Precision Technology, shall not participate in the bidding process but shall undertake to subscribe for the A shares at the same price as the other targeted subscribers based on their bidding results.

(5) Payment

The subscription amount shall be paid in cash to the designated bank account set up by the lead underwriter for the funds raised in the non-public offering in one lump sum in accordance with the payment request from Chervon Auto Precision Technology and the lead underwriter of the non-public offering. The lead underwriter will pay the subscription amount to the designated bank account of Chervon Auto Precision Technology after capital verification and deduction of relevant charges.

The Proposed Subscription will be financed by the internal resources of the Group.

(6) Lock-up period

Pursuant to the Subscription Agreement, the A shares of Chervon Auto Precision Technology subscribed by Chervon (China) Investment shall not be transferred within 18 months from the completion of the non-public offering.

(7) Conditions precedent

The subscription of the A shares of Chervon Auto Precision Technology by Chervon (China) Investment is conditional upon the fulfillment of the following conditions:

- (i) the passing of the resolutions relating to the non-public offering of the A shares of Chervon Auto Precision Technology by the shareholders and the directors of Chervon Auto Precision Technology; and
- (ii) the obtaining of the approval from the CSRC.

(8) Completion

Upon full payment of the subscription amount by Chervon (China) Investment, Chervon Auto Precision Technology shall, within the validity period of the CSRC's approval, register the number of the A shares of Chervon Auto Precision Technology subscribed by Chervon (China) Investment under the name of Chervon (China) Investment in accordance with the procedures as prescribed by the CSRC, the Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited.

3. INFORMATION ON CHERVON AUTO PRECISION TECHNOLOGY

Chervon Auto Precision Technology is a joint stock limited company incorporated in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 603982.SH). As at the date of this announcement, Chervon Auto Precision Technology is owned as to 35.75% by Chervon Precision Technology, which is an indirect non-wholly owned subsidiary of Panmercy, the controlling Shareholder of the Company. Chervon Auto Precision Technology is therefore an associate of Panmercy and a connected person of the Company under the Hong Kong Listing Rules. Chervon Auto Precision Technology primarily engages in manufacturing, research and development and sales of auto parts.

According to the financial report of Chervon Auto Precision Technology prepared in accordance with the generally accepted accounting principles of the PRC, the unaudited book value of the net assets of Chervon Auto Precision Technology as at September 30, 2021 is RMB1.82 billion. A summary of certain consolidated financial information of Chervon Auto Precision Technology for the two financial years ended December 31, 2019 and December 31, 2020 and the 9 months ended September 30, 2021 (before and after taxation and extraordinary items) prepared in accordance with the generally accepted accounting principles in the PRC are set out as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2020	For the 9 months ended September 30, 2021
	<i>(RMB in thousands) (audited)</i>	<i>(RMB in thousands) (audited)</i>	<i>(RMB in thousands) (unaudited)</i>
Net profit before taxation and extraordinary items	92,441.77	133,709.03	122,403.76
Net profit after taxation and extraordinary items	<u>79,480.81</u>	<u>112,217.63</u>	<u>80,526.98</u>

4. REASONS FOR AND BENEFITS OF SUBSCRIPTION OF CHERVON AUTO PRECISION TECHNOLOGY

The Company, through Chervon (China) Investment, currently holds 23.12% of Chervon Auto Precision Technology as at the date of this announcement. The Company believes that the subscription of the A shares of Chervon Auto Precision Technology to be issued through non-public offering (i) will bring financial benefits to the Group in light of the positive outlook of the auto parts manufacturing market, in particular the development of the electric vehicle market; and (ii) can prevent significant dilution of its current ownership interests in Chervon Auto Precision Technology.

The Directors (including independent non-executive Directors) are of the view that the transaction contemplated under the Subscription Agreement is on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Chervon Auto Precision Technology is owned as to 35.75% by Chervon Precision Technology, which is an indirect non-wholly owned subsidiary of Panmercy, the controlling Shareholder of the Company. Chervon Auto Precision Technology is therefore an associate of Panmercy and a connected person of the Company under the Hong Kong Listing Rules. As such, the transaction contemplated under the Subscription Agreement constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) in respect of the transaction contemplated under the Subscription Agreement exceeds 0.1% but is less than 5%, the transaction is subject to reporting and announcement requirements but exempt from independent shareholder's approval requirement under Chapter 14A of the Hong Kong Listing Rules.

The executive Directors, Mr. Pan Longquan, Ms. Zhang Tong and Mr. Ke Zuqian, who concurrently serve as directors of Chervon Auto Precision Technology and hold indirect interests in Chervon Auto Precision Technology, have all abstained from voting on the Board resolutions with respect to the transaction. Saved as disclosed above, none of the Directors has any material interest in the transaction contemplated under the Subscription Agreement and therefore none of the other Directors has abstained from voting on such Board resolutions.

6. GENERAL INFORMATION

Information on the Company

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. The Company is China-based global provider of power tools and outdoor power equipment.

Information on Chervon Auto Precision Technology

For information on Chervon Auto Precision Technology, please refer to “3. Information on Chervon Auto Precision Technology” in this announcement.

Information on Chervon (China) Investment

Chervon (China) Investment is a company incorporated in the PRC with limited liability and principally engaged in investment holding. It is a wholly owned subsidiary of the Company.

7. DEFINITIONS

Unless the content otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board”	the board of Directors;
“Chervon Auto Precision Technology”	Nanjing Chervon Auto Precision Technology Co., Ltd. (南京泉峰汽車精密技術股份有限公司), a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange (stock code: 603982.SH) and is held by Chervon Precision Technology as to 35.75% and Chervon (China) Investment as to 23.12% as at the date of this announcement;
“Chervon (China) Investment”	Chervon (China) Investment Co., Ltd* (泉峰(中國)投資有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of our Company;
“Chervon Precision Technology”	Chervon Precision Technology Holdings Company Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of Panmercy;
“China” or the “PRC”	the People’s Republic of China
“Company”	Chervon Holdings Limited 泉峰控股有限公司, a company incorporated in Hong Kong with limited liability on February 19, 1999, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 2285);
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Panmercy”	Panmercy Holdings Limited, a company incorporated in Hong Kong with limited liability and the controlling Shareholder of the Company, holding directly and indirectly approximately 53.08% of the total issued share capital of the Company as at the date of this announcement;

“Proposed Subscription”	the proposed subscription of the A shares of Chervon Auto Precision Technology with a total subscription amount of up to RMB500,000,000 by Chervon (China) Investment pursuant to the Subscription Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	the ordinary share(s) in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the agreement entered into between Chervon (China) Investment and Chervon Auto Precision Technology on January 28, 2022, pursuant to which Chervon (China) Investment conditionally agreed to subscribe for the A shares of Chervon Auto Precision Technology with a total subscription amount of up to RMB500,000,000 by Chervon (China) Investment;
“trading day(s)”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and
“%”	per cent.

* *The Chinese name of the entities established in the PRC is the official name and the English name is the translation for identification purpose only.*

By order of the Board
Chervon Holdings Limited
PAN Longquan
Chairman

Hong Kong, January 28, 2022

As at the date of this announcement, the Board comprises Mr. PAN Longquan, Ms. ZHANG Tong, Mr. KE Zuqian and Mr. Michael John CLANCY as executive Directors; and Mr. TIAN Ming, Dr. LI Minghui and Mr. JIANG Li as independent non-executive Directors.