Chervon Holdings Limited
泉峰控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2285)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

	Year ended December 31 **2023**	2022	**Year-over-year changes**
	in US$ thousands		
Revenue	**1,374,714**	1,989,280	**(30.9)%**
Gross profit	**386,833**	603,873	**(35.9)%**
(Loss)/Profit before taxation	**(48,856)**	161,390	**(130.3)%**
(Loss)/Profit for the year	**(37,150)**	139,278	**(126.7)%**
Non-HKFRSs measure: Adjusted Net (Loss)/Profit	**(36,654)**	151,311	**(124.2)%**
(Loss)/Earnings per share			
Basic (US$)	**(0.07)**	0.28	**(125.0)%**
Diluted (US$)	**(0.07)**	0.28	**(125.0)%**

- Revenue in 2023 amounted to US$1,374.7 million, representing a decrease of 30.9% as compared to US$1,989.3 million in 2022.
- Loss for the year in 2023 amounted to US$37.2 million, as compared to a profit for the year of US$139.3 million in 2022.
- Adjusted Net Loss in 2023 amounted to US$36.7 million, as compared to a Adjusted Net Profit of US$151.3 million in 2022.

FINAL AND SPECIAL DIVIDEND

- The Board has recommended the payment of a special dividend of US$0.0354 per ordinary share (equivalent to HK$0.2764 per ordinary share) (2022: nil) for the year ended December 31, 2023. No final dividend was recommended by the Board for the year ended December 31, 2023 (2022: US$0.0718 per ordinary share (equivalent to HK$0.5600 per ordinary share)).

The board (the "**Board**") of directors (the "**Directors**") of Chervon Holdings Limited (the "**Company**") hereby announces the consolidated annual results ("**Annual Results**") of the Company and its subsidiaries (collectively, the "**Group**," "**we,**" "**us**" or "**our**") for the year ended December 31, 2023 (the "**Reporting Period**") together with the comparative figures for the year ended December 31, 2022 as set out below. The Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In 2023, we navigated through a challenging environment characterized by economic and market headwinds. Our revenue decreased by 30.9% from US$1,989.3 million in 2022 to US$1,374.7 million in 2023, primarily due to more conservative inventory policies adopted by our key customers caused by macroeconomic uncertainties and unfavorable weather in key geographic regions.

Revenue from our outdoor power equipment ("**OPE**") segment decreased by 33.7% from US$1,223.5 million in 2022 to US$811.4 million in 2023, while revenue from our power tools segment decreased by 27.3% from US$754.9 million in 2022 to US$548.5 million in 2023. Revenue from our Original Brand Manufacturing ("**OBM**") business decreased by 27.2% from US$1,381.8 million in 2022 to US$1,006.3 million in 2023, and accounted for 73.2% of our total revenue in 2023 (2022: 69.5%).

Our overall gross profit margin decreased from 30.4% in 2022 to 28.1% in 2023, primarily due to provision for inventory impairment. We recorded net loss of approximately US$37.2 million in 2023, as compared to a net profit of US$139.3 million in 2022.

Despite facing challenges, we believe we remain competitive in terms of market share. The sell-through of our branded products from distribution channels to end-users is steadily growing despite the subdued market demand overall, which attests to the popularity of our proprietary brands. We continue to focus on our customers, bringing to market new power tool and OPE products to meet their diverse needs. Leveraging our research and development capability, we continued to innovate by introducing close to 200 new products in 2023. Lithium-ion battery powered products accounted for approximately 82% of the new products.

EGO

During the Reporting Period, we continued to develop and promote our flagship *EGO*-branded products, including an emphasis on the development of the commercial series tools, which we view as a promising area for future growth. As of December 31, 2023, the number of our *EGO*-branded lithium-ion battery platforms sold globally increased to approximately 14 million. By leveraging our battery platform and user base, we have diversified into new lifestyle categories, such as high-pressure washers, wet/dry vacuums and mini bikes, which further broadens the scope of our *EGO* 56V ecosystem.

In 2023, we continued to invest in strengthening the multi-channel sales and distribution network for *EGO*, including accelerating the development of our dealer channels to better support our "go commercial" strategy. For example, we entered into a strategic partnership with Deere & Company ("**John Deere**"), pursuant to which *EGO*-branded lithium battery products will be available at John Deere dealers in the United States and Canada starting from the third quarter of 2023. The collaboration leverages the strengths of both parties and further expands the distribution of *EGO*'s lithium battery-operated OPE products. We believe the availability of *EGO*-branded products at John Deere's robust and extensive sales network provides easy access to our products for customers in North America. In Europe, *EGO* also expanded its sales and distribution network and achieved double-digit revenue growth, demonstrating its ability to continue penetrating new markets.

In 2023, we were awarded the Vendor of the Year by a leading hardware cooperative in North America in recognition of our *EGO* brand. We are particularly honored to become the first company to receive such award for the fourth year in a row, underscoring our commitment to excellence and customer service. *EGO* also celebrated significant achievements in the Canadian market by securing prominent placements across the stores of one of Canada's OPE market share leaders.

We have further enhanced our online sales channels by collaborating with e-commerce platforms. A notable accomplishment worth highlighting is *EGO*'s ascent to prominence as a leading DC OPE brand on a leading global e-commerce platform, achieving a significant milestone with double-digit growth in 2023. We expect *EGO*, the top rated brand in the cordless OPE category, to carry the momentum into 2024 and beyond.

FLEX

FLEX continued to innovate by expanding its offering of next-generation power tool solutions tailored for professionals, introducing more than 40 new products globally, such as the STACK PACK that is designed for use on the jobsite, in the workshop, and during transit. We also expanded the scope of our 24V platform by introducing tools tailored for carpentry as well as mechanical, electrical and plumbing professionals, aimed at enhancing work efficiency.

SKIL

Following a challenging first half of 2023, our *SKIL* business rebounded and achieved growth in the second half of the year. We remain committed to innovation by introducing new products across our 4V, 12V, 20V and 40V platforms to better serve end-users across both power tool and OPE segments. *SKIL*'s Compact Brushless 3065 Cordless Drill, featuring the "PWRCORE 20" lithium battery platform, earned recognition with the 2023 Innovation Award as the "Voted Product of the Year." Our products have received prestigious recognition from internationally acclaimed awards. Notably, the *SKIL* 12V Compact Detail Sander was honored with the 2023 Red Dot Award, a highly esteemed international competition recognizing excellence in product design. Furthermore, a series of *SKIL* products – 2X20V Rear Handle Saw, 4V TWIST 2.0 Screwdriver, 12V/20V Compact Tower Light and 12V/20V Brushless 4-inch Clamp Fan – were recipients of the 2023 Power Tool Innovation Award, highlighting their innovative features and contributions to the industry.

DEVON

In 2023, *DEVON* achieved high double-digit growth despite challenging market conditions. *DEVON*'s product line featuring 20V lithium battery series continued its trajectory of innovation and rapid growth, surpassing 4 million 20V battery packs in the China market. *DEVON* prioritized new media marketing initiatives, resulting in its official TikTok account amassing over 1 million followers and achieving a total awareness of over 1 billion impressions.

Management Transformation

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

Manufacturing Capability

Starting from 2023, we have accelerated our efforts to strengthen our global manufacturing capabilities. This included expanding production capacity at our Chervon Vietnam Plant, thereby augmenting our overseas factory footprint. We believe these initiatives will further support our ability to build a more flexible and resilient supply chain.

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

Prospects

We believe our proprietary brands continue to outperform the industry in terms of end-user demand (sell-through), demonstrating resilience in both advantageous and challenging conditions. As the market and economic condition improves, we expect a corresponding recovery and growth in our financial performance in 2024 and years to come. Our confidence is grounded in several favorable factors, including the increased market penetration of lithium battery products, reversal of the destocking cycle and the expected rebound in customer demand. To drive sustainable long-term growth, we will continue to develop lithium battery new products, expand our multi-channel sales and distributions network, enhance brand recognition, optimize business structure, expand production capacities and improve operational efficiency, invest in human capital development, while continuing to implement management transformation initiatives. We will endeavor to outperform the market and deliver superior results for our shareholders, employees and communities in a socially and environmentally responsible manner.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue decreased by 30.9% from US$1,989.3 million in 2022 to US$1,374.7 million in 2023, primarily due to more conservative inventory policies adopted by our key customers caused by macroeconomic uncertainties and unfavorable weather in key geographic regions.

Revenue by product category

Revenue from the sales of OPE products decreased by 33.7% from US$1,223.5 million in 2022 to US$811.4 million in 2023, primarily driven by industry destocking cycle, more conservative inventory policies adopted by our customers, as well as the negative impact of unfavorable weather in the spring of 2023 across North America on consumer demand for OPE tools.

Revenue from the sales of power tools decreased by 27.3% from US$754.9 million in 2022 to US$548.5 million in 2023, after several years of rapid growth, mainly due to unfavorable macroeconomic factors that in turn led to slowdown in housing demand and industry destocking cycle.

Revenue by geographic location

Our revenue generated from North America decreased by 37.3% from US$1,499.9 million in 2022 to US$940.2 million in 2023. Our revenue from Europe decreased by 11.0% from US$317.2 million in 2022 to US$282.4 million in 2023. Our revenue from China increased by 1.1% from US$99.5 million in 2022 to US$100.6 million in 2023. Our revenue from rest of the world decreased by 29.0% from US$72.6 million in 2022 to US$51.5 million in 2023.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 35.9% from US$603.9 million in 2022 to US$386.8 million in 2023. During the same years, our overall gross profit margin decreased from 30.4% to 28.1%, primarily due to provision for inventory impairment.

Other Revenue

Our other revenue, which primarily consisted of government grants, sale of scrap materials and rental income, amounted to US$5.8 million in 2023, as compared to US$7.0 million in 2022.

Other Net Loss

We had other net loss of US$8.3 million in 2023, as compared to other net loss of US$52.3 million in 2022. Our other net loss in 2023 was primarily attributable to net realized and unrealized loss on derivative financial instruments, partially offset by net foreign exchange gain.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 14.0% from US$214.0 million in 2022 to US$244.1 million in 2023, primarily due to increases in our marketing expenses and investments in expanding dealer channels, as well as warranty provisions.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 7.8% from US$89.8 million in 2022 to US$96.8 million in 2023, primarily due to the Company's continued investments in digital transformation.

Research and Development Costs

Our research and development costs increased by 7.5% from US$65.7 million in 2022 to US$70.7 million in 2023, primarily due to the Company's continued investments in research and product development, particularly in products with commercial applications, as well as an increase in the number of research and development personnel.

Net Finance Costs

Our net finance costs decreased by 85.2% from US$22.3 million in 2022 to US$3.3 million in 2023, primarily due to (1) an increase in interest for U.S. dollar-denominated deposits, (2) a decrease in interest for in Renminbi ("**RMB**")-denominated bank borrowings and (3) a decrease in our use of customer supply chain financing to mitigate the impact of higher U.S. dollar-denominated interest rates.

Share of Loss of an Associate

We had a share of loss of an associate of US$18.3 million in 2023, as compared to a share of loss of an associate of US$5.5 million in 2022, which were primarily attributable to our 24.74% equity interest in 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**").

(Loss)/Profit Before Taxation

As a result of the foregoing, our loss before taxation in 2023 amounted to US$48.9 million, as compared to a profit before taxation of US$161.4 million in 2022.

Income Tax Expense

Our tax income was US$11.7 million in 2023, as compared to a tax expense of US$22.1 million in 2022. Given that we incurred a loss before taxation in 2023, effective tax rate was inapplicable in 2023 (2022: 13.7%). Our tax income in 2023 primarily resulted from (i) deferred taxes in connection with our warranty and inventory provisions, (ii) the status of Nanjing Chervon Industry Co., Ltd (南京泉峰科技有限公司) ("**Nanjing Chervon Industry**") as a High and New Technology Enterprise (國家高新技術企業), which is entitled to an enterprise income tax rate of 15% and (iii) additional tax benefits afforded under favorable government policies that encourage research and development activities.

(Loss)/Profit For The Year

As a result of the foregoing, we recorded a loss for the year of US$37.2 million in 2023, as compared to a profit for the year of US$139.3 million in 2022. We had a net loss margin of 2.7% in 2023, as compared to a net profit margin of 7.0% in 2022.

Non-HKFRSs Measures: Adjusted Net Loss/Profit

To supplement our consolidated results which are prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), we utilize non-HKFRSs adjusted net loss/profit ("**Adjusted Net Loss/Profit**") as an additional financial measure. We derive Adjusted Net Loss/Profit from profit for the year by excluding (i) net realized and unrealized losses on convertible bonds and (ii) income tax effects of non-HKFRSs adjustments.

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

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

	Year Ended December 31,	
	2023	2022
	US$'000	*US$'000*
(Loss)/Profit for the period	**(37,150)**	139,278
Add:		
Net realized and unrealized losses on convertible bonds[1]	**630**	15,280
Income tax effects of non-HKFRSs adjustments[2]	**(134)**	(3,247)
Adjusted Net (Loss)/Profit	**(36,654)**	151,311

Notes:

(1) Represents the net realized and unrealized losses on our investment, net of income tax effects, in the convertible bond issued by Chervon Auto Precision Technology.

(2) Represents income tax effects of non-HKFRSs adjustments.

Liquidity and Financial Resources

Financial Position

The Group continued to maintain a strong financial position. As of December 31, 2023, the Group had US$296.3 million in cash and cash equivalents (December 31, 2022: US$466.7 million), including approximately HK$339.7 million (equivalent to US$43.6 million) in remaining net proceeds from our initial public offering. 60.0%, 30.4%, 3.9% and 5.7% of the cash and cash equivalents as of December 31, 2023 were denominated in RMB, US dollar, Euro and other currencies, respectively.

Funding and Treasury Policy

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

Borrowings and Gearing Ratio

As of December 31, 2023, the Group had bank loans of US$323.6 million (December 31, 2022: US$329.5 million), which were primarily denominated in RMB, and lease liabilities of US$12.4 million (December 31, 2022: US$22.0 million). As of the same date, fixed-rate and floating-rate loans account for 58% and 42%, respectively, of the Group's total bank loans.

As of December 31, 2023, short-term bank loans and current portion of long-term bank loans collectively accounted for 61.2% of the total bank loans (December 31, 2022: 58.5%).

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

Working Capital

Our inventories amounted to US$531.0 million as of December 31, 2023 as compared to US$600.0 million as of December 31, 2022. Our inventory turnover days increased to 209 days in 2023, as compared to 157 days in 2022, primarily due to a decrease in customer orders.

Our trade and bills receivables turnover days were at 77 days in 2023, as compared to 47 days in 2022, which is in line with the credit terms we granted to our customers. The increase primarily resulted from a decrease in our supply chain financing.

Our trade and bills payables turnover days were 96 days in 2023, as compared to 106 days in 2022, which is in line with the credit terms that we obtained from suppliers.

Capital Expenditures

Our capital expenditures in 2023 amounted to US$77.1 million (2022: US$81.2 million), primarily due to investments in our factory plants, manufacturing equipment and IT systems.

Capital Commitments

As of December 31, 2023, our capital commitments (including those contracted for and authorized but not contracted for) for the construction of plant and buildings and acquisition of machinery and equipment amounted to US$67.5 million (2022: US$428.2 million) primarily for the expansion of our production capacity.

Pledge of Assets

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

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Plant and buildings	**31,740**	48,145
Leasehold land	**21,852**	22,779
Intangible assets	**–**	1,162
Inventories	**16,565**	177,596
Trade and bills receivables	**1,538**	78,862
Pledged deposits	**14,511**	31,340
Other assets	**–**	7,923
Total	**86,206**	367,807

As of December 31, 2023, the Group had pledged deposits of US$18.2 million (December 31, 2022: US$36.5 million), which will be released upon the settlement of letters of credit and bills payable and by the Group or the expiry of relevant banking facilities.

Contingent Liabilities

During the Reporting Period, the Group issued guarantees to financial institutions in the People's Republic of China ("**PRC**") for certain indebtedness of our independent third-party customers, who are typically qualified distributors of ours in the PRC. As of December 31, 2023, the maximum guarantee amount was US$21.9 million (December 31, 2022: US$7.9 million) and the guarantee issued was US$8.5 million (December 31, 2022: US$1.3 million).

Significant Investments Held

Details of the Group's significant investments with a carrying amount of 5% or more of the Company's total assets as of December 31, 2023 are set forth in the table below.

Investment	Investment cost as of December 31, 2023	Carrying amount as of December 31, 2023	Carrying amount as percentage of total assets as of December 31, 2023	Fair value as of December 31, 2023	Fair value as percentage of total assets as of December 31, 2023	Performance (share of loss/ net unrealized loss) for the year ended December 31, 2023	Total amount of dividends received for the year ended December 31, 2023
	US$'000	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*US$'000*
Equity interest in Chervon Auto Precision Technology	80,396	86,921	4.8%	131,586	7.3%	(18,341)	–

As of December 31, 2023, the Company, through Chervon (China) Investment Co., Ltd. (泉峰(中國)投資有限公司) ("**Chervon (China) Investment**"), holds 64,671,068 shares, representing approximately 24.74% equity interest, of Chervon Auto Precision Technology. Chervon Auto Precision Technology is principally engaged in the production, sales and research and development of automotive power systems and relevant components. Chervon Auto Precision Technology was established in the PRC with limited liability on March 19, 2012 and its shares are listed on the Shanghai Stock Exchange (stock code: 603982.SH).

As of December 31, 2023, the investment cost in connection with our equity interest in Chervon Auto Precision Technology amounted to US$80.4 million (December 31, 2022: US$81.8 million). As of the same date, the fair value of such equity interest amounted to US$131.6 million (December 31, 2022: US$188.3 million), which accounted for 7.3% of our total assets as of December 31, 2023 (December 31, 2022: 10.1%). During the Reporting Period, we had a share of losses of an associate of US$18.3 million, as compared to a share of loss of an associate of US$5.5 million in 2022, in connection with our equity interest in Chervon Auto Precision Technology. During the same period, we did not receive any dividends from Chervon Auto Precision Technology in connection with our equity interest (December 31, 2022: US$0.5 million).

In 2023, we disposed of our interest in the convertible bonds issued by Chervon Auto Precision Technology and received proceeds of US$19.3 million. During the Reporting Period, we incurred net unrealized losses on convertible bonds of US$0.6 million, compared to net unrealized losses on convertible bonds of US$15.3 million in 2022. During the Reporting Period, we did not receive any dividends from Chervon Auto Precision Technology in connection with such convertible bonds we held (December 31, 2022: nil).

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

Except as disclosed above, during the Reporting Period, the Group did not hold any significant investments (including any investment in an investee company with a carrying amount of 5% or more of the Company's total assets as of December 31, 2023).

Material Acquisitions and Disposals of Subsidiaries and Associates

Except as disclosed in the section headed "—Significant Investments Held" in this announcement, during the Reporting Period, the Group did not have material acquisitions or disposals of subsidiaries or associates.

Future Plans for Major Investments and Capital Assets

During the Reporting Period, save for the expansion plans as disclosed in the section headed "—Use of Net Proceeds from our Global Offering" in this announcement, the Group has no specific plans for major investment or acquisition for major capital assets or other businesses.

Exposure to Fluctuations in Foreign Exchange Rates

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

The Group enters into foreign exchange forward contracts with financial institutions to mitigate its exposures to fluctuations in foreign exchange rates. Fluctuations in the foreign exchange rates may lead to losses resulting from the Group's exposure to foreign exchange forward contracts or similar arrangements. Our net foreign exchange gain in 2023 amounted to US$4.9 million, as compared to a net foreign exchange loss of US$15.5 million in 2022. Our net realized and unrealized loss on derivative financial instruments (which primarily include foreign exchange forward contracts) in 2023 was US$12.2 million (2022: US$23.3 million).

Investment Risk Management

Our investment strategy is grounded in the principles of compliance, prudence, safety and effectiveness. Each investment decision is made based on internal vetting and discussions, considering factors such as market dynamics, expected returns and risks involved. We believe that our internal strategy and policies regarding investments and the related risk management mechanisms are adequate, and that our investment decisions have been in full compliance with our investment strategy and policies.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the Group's largest customer and five largest customers accounted for approximately 34.5% and 59.3% (2022: 49.8% and 70.5%) respectively of the Group's total revenue; and the Group's largest supplier and five largest suppliers accounted for approximately 21.7% and 33.8% respectively of the Group's total purchases (2022: 10.8% and 27.9%).

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

HUMAN RESOURCES

The number of employees of the Group was 6,173 as of December 31, 2023 (December 31, 2022: 6,990). The total staff costs for the Reporting Period amounted to US$209.0 million as compared to US$214.4 million in 2022. We did not incur equity settled share-based expenses during the Reporting Period.

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

As of December 31, 2023, the male-to-female ratio of the Group's employees is approximately 1.56 to 1. The ratio is primarily driven by the nature of our business as we employ a higher portion of male engineers and front-line workers. While we consider such ratio to be in line with industry norms, we are firmly committed to offering equal employment opportunities to all qualified candidates based on merits and will seek to achieve relative balance between male and female employees going forward.

OTHER INFORMATION

USE OF NET PROCEEDS FROM OUR GLOBAL OFFERING

The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from its global offering completed in December 2021, including the full exercise of the over-allotment option, of approximately HK$3,470.1 million (the "**2021 Net Proceeds**").

As of December 31, 2022, the balance of the 2021 Net Proceeds amounted to approximately HK$2,053.0 million. As of June 30, 2023, the balance of 2021 Net Proceeds amounted to approximately HK$1,930.5 million. As set out in the Prospectus of the Company dated December 17, 2021, it was the Company's plan that 66.5% of the 2021 Net Proceeds would be used for expanding and upgrading production facilities. After due and careful consideration of Group's business strategy and evolving market environment and customer needs, the Board has resolved on August 28, 2023 to approve the reallocation of the 2021 Net Proceeds that remained unutilized as of June 30, 2023 and the updated timeframe. The intended uses and the balance of the 2021 Net Proceeds are set out below:

Intended Use of Net Proceeds	**Original Allocation of 2021 Net Proceeds**	**Original Percentage of Total 2021 Net Proceeds**	**Balance of 2021 Net Proceeds as of June 30, 2023**	**Updated Allocation of Remaining 2021 Net Proceeds as of June 30, 2023**	**Percentage of Updated Allocation of Remaining 2021 Net Proceeds**	**Amount of Proceeds Utilized Between July 1, 2023 and December 31, 2023**	**Balance of 2021 Net Proceeds Unutilized as of December 31, 2023**	**Updated Timeframe for Use of the Unutilized 2021 Net Proceeds**
Expanding and upgrading production facilities	HK$2,307.6 million	66.5%	HK$1,930.5 million	HK$430.5 million	22.3%	HK$237.7 million	HK$192.8 million	Before December 31, 2024
Researching and developing products	HK$312.3 million	9.0%	Nil	HK$469.1 million	24.3%	HK$322.2 million	HK$146.9 million	Before December 31, 2024
Enhancing sales and distribution channels	HK$242.9 million	7.0%	Nil	HK$469.1 million	24.3%	HK$469.1 million	Nil	Fully utilized in 2023
Paying interest -bearing bank borrowings	HK$260.3 million	7.5%	Nil	HK$391.9 million	20.3%	HK$391.9 million	Nil	Fully utilized in 2023
Working capital and other general corporate purposes	HK$347.0 million	10.0%	Nil	HK$169.9 million	8.8%	HK$169.9 million	Nil	Fully utilized in 2023
Total	HK$3,470.1 million	100.0%	HK$1,930.5 million	HK$1,930.5 million	100%	HK$1,590.8 million	HK$339.7 million	

Considering the macroeconomic uncertainties, the Company has decided to adjust the development pace of its CHERVON Smart Production Industrial Park to align with such market change. Accordingly, part of the remaining 2021 Net Proceeds was reallocated to researching and developing products, enhancing sales and distribution channels, paying interest-bearing bank borrowings and working capital and other general corporate purposes.

The Board is of the view that the reallocated use of remaining 2021 Net Proceeds will enable the Company to strengthen its competitive position, better address customers' needs, adapt to changing market conditions and improve the efficiency of the funds utilization, in alignment with the Company's strategic objectives and operational needs. Accordingly, the Board considers that the reallocated use of the remaining 2021 Net Proceeds is in the best interest of the Company and its shareholders as a whole, and will not have any material adverse impact on the existing business and operations of the Group.

The unutilized 2021 Net Proceeds are primarily placed in licensed banks in the PRC and Hong Kong as of December 31, 2023. During the Reporting Period, the Group utilized or proposed to utilize the remaining 2021 Net Proceeds in accordance with the intended purposes and timelines previously disclosed by the Company.

USE OF NET PROCEEDS FROM PLACING AND TOP-UP SUBSCRIPTION

The Company received net proceeds from its placing and top-up subscription completed in January 2023, after deducting related fees, costs and expenses, of approximately HK$773 million ("**2023 Net Proceeds**"). The intended uses and the balance of the 2023 Net Proceeds are set out below. As of December 31, 2023, the 2023 Net Proceeds have been fully utilized.

Intended use of Net Proceeds	**Allocation of 2023 Net Proceeds**	**Percentage of Total 2023 Net Proceeds**	**Amount of Net Proceeds Utilized up to December 31, 2023**	**Balance of Net Proceeds Unutilized as of December 31, 2023**
Enhancement of sales and distribution channels	HK$309.2 million	40.0%	HK$309.2 million	Nil
Research and development of products	HK$231.9 million	30.0%	HK$231.9 million	Nil
Upgrade of production facilities	HK$77.3 million	10.0%	HK$77.3 million	Nil
Other general working capital purposes	HK$154.6 million	20.0%	HK$154.6 million	Nil
Total	HK$773.0 million	100.0%	HK$773.0 million	Nil

FINAL AND SPECIAL DIVIDEND

The Board has recommended the payment of a special dividend of US$0.0354 per ordinary share (equivalent to HK$0.2764 per ordinary share) for the year ended December 31, 2023 (2022: nil). This proposed special dividend is subject to the approval of the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on June 4, 2024, and the special dividend is expected to be payable on or before Tuesday, July 16, 2024 to those Shareholders whose names appear on the Company's register of members as of Thursday, June 13, 2024. No final dividend was recommended by the Board for the year ended December 31, 2023 (2022: US$0.0718 per ordinary share (equivalent to HK$0.5600 per ordinary share)).

CLOSURE OF REGISTER OF MEMBERS/RECORD DATE

The register of members of the Company will be closed from Thursday, May 30, 2024 to Tuesday, June 4, 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before Wednesday, May 29, 2024.

Record date for determining the entitlement of the Shareholders to the special dividend (if approved by the Shareholders in the AGM) is Thursday, June 13, 2024. To qualify for the special dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before Friday, June 7, 2024. The register of members of the Company will be closed from Tuesday, June 11, 2024 to Thursday, June 13, 2024 both days inclusive, on which dates no share transfers will be registered.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance.

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

Code provision C.2.1 in Part 2 of the CG Code, recommends, but does not require, that the roles of chairperson and chief executive should be separate and should not be performed by the same person. Our Company deviates from this provision as Mr. Pan Longquan ("**Mr. Pan**") performs both the roles of the Chairman of our Board and the chief executive officer of our Company. Mr. Pan is the principal founder of our Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Pan has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively.

Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of our Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EVENT AFTER THE REPORTING PERIOD

Adoption of 2024 Share Scheme

On January 29, 2024, the Board proposed to adopt a share scheme under Chapter 17 of the Listing Rules (the "**2024 Share Scheme**"). The purposes of the 2024 Share Scheme are (1) to bind the interests of shareholders, the Company and employees to focus on the realization of the Company's strategic development objectives and to drive the performance growth; and (2) to improve our long-term incentive mechanism to attract and retain outstanding talents and to fully mobilize the senior management team and core employees. On February 20, 2024, the resolution for adopting the 2024 Share Scheme was passed in an extraordinary general meeting. As of the date of this announcement, no share was granted, exercised, cancelled or lapsed under the 2024 Share Scheme. For further details regarding the 2024 Share Scheme, please refer to the Company's circular dated February 2, 2024.

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

AUDIT COMMITTEE

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

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2023.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at https://global.chervongroup.com. The annual report of the Company for the year ended December 31, 2023 containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By Order of the Board
Chervon Holdings Limited
Pan Longquan
Chairman

Hong Kong, March 27, 2024

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

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

	Note	Year ended December 31, 2023 US$'000	2022 US$'000
Revenue	*2*	**1,374,714**	1,989,280
Cost of sales		**(987,881)**	(1,385,407)
Gross profit		**386,833**	603,873
Other revenue	*3*	**5,787**	7,038
Other net loss	*4*	**(8,333)**	(52,254)
Selling and distribution expenses		**(244,052)**	(214,014)
Administrative and other operating expenses		**(96,787)**	(89,765)
Research and development costs		**(70,673)**	(65,733)
(Loss)/Profit from operations		**(27,225)**	189,145
Net finance costs	*5*	**(3,290)**	(22,265)
Share of loss of an associate		**(18,341)**	(5,490)
(Loss)/profit before taxation	*6*	**(48,856)**	161,390
Income tax expense	*7*	**11,706**	(22,112)
(Loss)/Profit for the year		**(37,150)**	139,278
Attributable to:			
Equity shareholders of the Company		**(37,137)**	139,369
Non-controlling interests		**(13)**	(91)
(Loss)/Profit for the year		**(37,150)**	139,278
(Loss)/Earnings per share	*9*		
Basic (US$)		**(0.07)**	0.28
Diluted (US$)		**(0.07)**	0.28

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Note	Year ended December 31, 2023	2022
		US$'000	*US$'000*
(Loss)/Profit for the year		**(37,150)**	139,278
Other comprehensive income for the year (after tax adjustments)			
Item that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit plan obligations		**21**	193
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		**(10,861)**	(13,365)
Other comprehensive income for the year		**(10,840)**	(13,172)
Total comprehensive (loss)/income for the year		**(47,990)**	126,106
Attributable to:			
Equity shareholders of the Company		**(47,977)**	126,197
Non-controlling interests		**(13)**	(91)
Total comprehensive (loss)/income for the year		**(47,990)**	126,106

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2023

		As of December 31,	
	Note	**2023**	2022
		US$'000	*US$'000*
Non-current assets			
Properties, plants and equipment	*10*	**276,555**	233,224
Right-of-use assets		**57,982**	44,631
Intangible assets		**882**	1,162
Interest in an associate	*11*	**86,921**	106,566
Prepayments, deposits and other receivables		**4,637**	5,851
Financial assets at fair value through profit or loss ("**FVPL**")	*12*	**6,393**	6,202
Deferred tax assets		**47,804**	30,879
		481,174	428,515
Current assets			
Financial assets at FVPL	*12*	**–**	20,019
Derivative financial instruments	*13*	**2,553**	2,288
Inventories		**530,951**	599,999
Right to returned goods asset		**26,248**	4,417
Trade and bills receivables	*14*	**359,011**	220,220
Prepayments, deposits and other receivables		**70,895**	78,654
Taxation recoverable		**10,972**	5,184
Pledged deposits		**18,244**	36,495
Cash and cash equivalents		**296,337**	466,713
		1,315,211	1,433,989
Current liabilities			
Bank loans		**198,185**	192,904
Derivative financial instruments	*13*	**2,335**	3,581
Lease liabilities		**2,690**	7,583
Trade and bills payables	*15*	**224,954**	294,452
Other payables and accruals	*16*	**142,507**	177,166
Taxation payable		**7,033**	9,710
Warranty provision		**49,617**	19,030
Refund liabilities from right of return		**36,104**	6,432
		633,425	710,858

	Note	As of December 31, 2023 US$'000	2022 US$'000
Net current assets		**651,786**	723,131
Total assets less current liabilities		**1,132,960**	1,151,646
Non-current liabilities			
Bank loans		**125,455**	136,589
Lease liabilities		**9,691**	14,460
Warranty provision		**20,060**	38,059
Deferred income		**3,558**	3,709
Defined benefit plan obligations		**434**	473
Deferred tax liabilities		**13,141**	12,257
		172,339	205,547
NET ASSETS		**960,621**	946,099
CAPITAL AND RESERVES			
Share capital	*17*	**601,859**	502,654
Reserves		**358,866**	443,536
Total equity attributable to equity shareholders of the Company		**960,725**	946,190
Non-controlling interests		**(104)**	(91)
TOTAL EQUITY		**960,621**	946,099

NOTES

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

General Information

The Company was incorporated in Hong Kong on February 19, 1999 as a limited liability company with its registered office at Unit 04, 22/F, Saxon Tower, 7 Cheung Shun Street, Lai Chi Kok, Kln, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange on the Listing Date.

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

The financial information relating to the financial years ended December 31, 2022 and 2023 that is included in this announcement does not constitute the Company's statutory annual consolidated financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) ("**Companies Ordinance**") is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended December 31, 2023 in due course.

- The Company's auditor has reported on the consolidated financial statements of the Group for the years ended December 31, 2022 and 2023. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Statement of Compliance

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

The financial information relating to the financial year ended December 31, 2023 that is included in this announcement does not constitute the Company's annual consolidated financial statements for that financial year, but is derived from those financial statements.

Changes in Accounting Policies

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

- HKFRS 17, *Insurance contracts*

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction; and*

- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

2 REVENUE AND SEGMENT REPORTING

Segment Information

The Group's reportable segments are as follows:

– Power tools: sales of power tools and power tool accessories for consumer, professional and industrial users. The products are available under the *FLEX*, *DEVON*, *SKIL* and *X-TRON* brands and through our ODM business.

– OPE: sales of outdoor tools and outdoor tool accessories for premium or professional and mass-market users. The products are available under the *EGO* and *SKIL* brands and through our ODM business.

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

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

	Year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Power tools	**548,544**	754,924
OPE	**811,408**	1,223,527
Others	**14,762**	10,829
	1,374,714	1,989,280

Geographic Information

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

	Year ended December 31,	
	2023	2022
	US$'000	*US$'000*
North America	**940,197**	1,499,907
Europe	**282,359**	317,247
China	**100,615**	99,490
Rest of the World	**51,543**	72,636
	1,374,714	1,989,280

3 OTHER REVENUE

Our other revenue in the years ended December 31, 2023 and 2022 mainly comprises of government grants, sale of scrap materials and rental income.

4 OTHER NET LOSS

	Year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Net foreign exchange gain/(loss)	**4,863**	(15,533)
Net loss on disposal of properties, plants and equipment	**(46)**	(176)
Net loss on disposal of leases	**(1,226)**	–
Net realized and unrealized loss on convertible bonds	**(630)**	(15,280)
Net realized and unrealized gain on financial assets at FVPL other than convertible bonds	**948**	1,654
Net realized and unrealized loss on derivative financial instruments	**(12,181)**	(23,297)
Others	**(61)**	378
	(8,333)	(52,254)

5 NET FINANCE COSTS

	Year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Interest income from bank deposits	**(7,844)**	(3,959)
Finance income	**(7,844)**	(3,959)
Interest on bank loans	**8,819**	12,267
Other financing cost	**1,725**	13,005
Interest on lease liabilities	**590**	952
Finance costs	**11,134**	26,224
Net finance costs	**3,290**	22,265

6 (LOSS)/PROFIT BEFORE TAXATION

	Year ended December 31,	
	2023	2022
	US$'000	*US$'000*
(Loss)/Profit before taxation is arrived at after charging:		
Net finance costs	**3,290**	22,265
Staff costs	**208,949**	214,374
Depreciation charge	**35,901**	35,361
Amortization of intangible assets	**280**	584
Research and development costs	**70,673**	65,733
Provision for impairment loss on trade and other receivables	**1,172**	1,401
Provision for write-down of inventories	**47,058**	12,248
Auditors' remuneration	**822**	912
Cost of inventories sold	**987,881**	1,394,957

7 INCOME TAX EXPENSE

Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Current tax		
PRC Corporate Income Tax		
Provision for the year	**–**	3,034
Over-provision in respect of prior years	**226**	(28)
	226	3,006
Hong Kong Profits Tax		
Provision for the year	**–**	16,207
Tax jurisdictions outside PRC and Hong Kong		
Provision for the year	**3,786**	8,038
Deferred tax		
Origination and reversal of temporary differences	**(15,718)**	(5,139)
Total income tax expense	**(11,706)**	22,112

Notes:

Pursuant to the income tax rules and regulations of Hong Kong, the Company and the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2022 and 2023. The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax at a statutory rate of 25%, except for Nanjing Chervon Industry, which obtained the qualification as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% for the years from 2022 to 2025. Taxation arising from jurisdictions outside PRC and Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

8 DIVIDENDS

In the years ended December 31, 2022 and 2023, dividends payable to equity shareholders of the Company attributable to the previous financial years were US$35,051,000 and US$36,691,000, respectively.

Subsequent of the end of the Reporting Period, the Board recommended the payment of a special dividend of US$0.0354 per ordinary share (equivalent to HK$0.2764 per ordinary share) for the year ended December 31, 2023. This proposed special dividend is subject to the approval of the Shareholders at the forthcoming AGM. No final dividend was recommended by the Board for the year ended December 31, 2023.

9 (LOSSES)/EARNINGS PER SHARE

Basic (Losses)/Earnings Per Share

The calculation of basic and diluted earnings per share is based on the loss attributable to equity shareholders of the Company of US$37,137,000 (2022: profit attributable to equity shareholders of the Company of US$139,369,000) and the weighted average of ordinary shares calculated as follows:

Weighted Average Number of Ordinary Shares

	Year ended December 31,	
	2023	2022
Ordinary shares at the beginning of the year	**490,218,811**	479,431,411
Effect of shares issued, net of issuance costs (*note i*)	**19,750,438**	10,018,982
Weighted average number of ordinary shares at the end of the year	**509,969,249**	489,450,393

Note:

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

Diluted (Losses)/Earnings Per Share

There were no dilutive potential ordinary shares in existence for the years ended December 31, 2022 and 2023. The calculated diluted earnings per share equals the basic earnings per share at December 31, 2022 and 2023, respectively.

10 ADDITIONS OF PROPERTIES, PLANTS AND EQUIPMENT

During the Reporting Period, the Group spent approximately US$77.1 million (2022: US$81.2 million) on the acquisition of property, plant and equipment.

11 INTEREST IN AN ASSOCIATE

Our interest in an associate as of December 31, 2023 primarily consisted of our 24.74% interest in Chervon Auto Precision Technology.

12 FINANCIAL ASSETS AT FVPL

Our financial assets at FVPL as of December 31, 2023 and 2022 primarily consisted of a life insurance product issued by an independent third-party insurance company and convertible bonds issued by Chervon Auto Precision Technology which are held by the Group for trading purposes.

13 DERIVATIVE FINANCIAL INSTRUMENTS

Our derivative financial instruments as of December 31, 2023 and 2022 primarily consisted of foreign currency forward contracts and foreign currency option contracts. We also had an interest rate swap contract as of December 31, 2023.

14 TRADE AND BILLS RECEIVABLES

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

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Trade debtors and bills receivable, net of loss allowance		
– measured at amortized cost		
Trade receivables	**351,628**	168,017
Bills receivables	**2,424**	1,174
– measured at fair value through other comprehensive income		
Trade receivables	**4,959**	51,029
	359,011	220,220

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

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Within 6 months	**347,589**	166,216
Over 6 months but within 12 months	**6,160**	2,650
Over 12 months	**303**	325
	354,052	169,191

15 TRADE AND BILLS PAYABLES

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

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Trade payables	**206,781**	271,020
Bills payable	**18,173**	23,432
	224,954	294,452

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

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Within 3 months	**156,043**	220,610
3 to 12 months	**68,911**	73,842
	224,954	294,452

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

16 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Other payables and accrued charges (*Note*)	**95,766**	134,753
Salaries, wages, bonus and benefits payable	**13,988**	25,355
Payables for purchase of properties, plants and equipment	**16,543**	5,393
Interest payables	**452**	449
Other tax payables	**15,758**	11,216
	142,507	177,166

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

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

17 SHARE CAPITAL

	Number of Shares	*HK$'000*	*US$'000*
Ordinary shares, issued and fully paid:			
At January 1, 2022	479,431,411	3,465,871	444,621
Issuance of ordinary shares by public offering pursuant to the over-allotment option, net of issuance costs *(Note i)*	10,787,400	452,656	58,033
At December 31, 2022	490,218,811	3,918,527	502,654
Issuance of ordinary shares net of issuance costs *(Note ii)*	20,835,000	773,800	99,205
At December 31, 2023	**511,053,811**	**4,692,327**	**601,859**

Notes:

(i) On January 26, 2022, the Company issued and allotted additional 10,787,400 shares at an offering price of HK$43.60 per share by way of public offering pursuant to the over-allotment option. Net proceeds from these issues amounted to HK$452,656,320 (US$58,032,862 equivalent) (after offsetting costs directly attributable to the issue of shares of HK$17,674,320 (US$2,265,938 equivalent), which were recorded in share capital).

(ii) On January 12, 2023, the Company issued and allotted additional 20,835,000 shares at an offering price of HK$37.50 per share by way of public offering pursuant to the over-allotment option. Net proceeds from these issues amounted to HK$773,800,092 (US$99,205,140 equivalent) (after offsetting costs directly attributable to the issue of shares of HK$7,512,408 (US$963,129 equivalent), which were recorded in share capital).

18 CAPITAL COMMITMENTS

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

	As of December 31,	
	2023	2022
	US$'000	*US$'000*
Contracted for	**46,511**	2,017
Authorised but not contracted for	**20,944**	426,228
	67,455	428,245
Represented by:		
Construction of plant and buildings	**66,435**	426,965
Acquisition of machinery and equipment	**1,020**	1,280
	67,455	428,245