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Chervon Holdings Limited

泉峰控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2285)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL HIGHLIGHTS

	Year ended December 31		Year-over-year changes
	2021	2020	
	<i>in US\$ thousands</i>		
Revenue	1,757,784	1,200,902	46.4%
Gross profit	494,508	368,712	34.1%
Profit before tax	176,098	59,511	195.9%
Profit for the year	149,721	48,388	209.4%
Non-HKFRSs measure: Adjusted Net Profit	125,037	69,835	79.0%
Earnings per share			
Basic (US\$)	0.36	0.11	227.3%
Diluted (US\$)	0.36	0.11	227.3%

- Revenue in 2021 amounted to US\$1,757.8 million, representing an increase of 46.4% as compared to US\$1,200.9 million in 2020.
- Profit for the year in 2021 amounted to US\$149.7 million, representing an increase of 209.4% as compared to US\$48.4 million in 2020.
- Adjusted Net Profit in 2021 amounted to US\$125.0 million, representing an increase of 79.0% as compared to US\$69.8 million in 2020.

FINAL DIVIDEND

- The Board has recommended the payment of a final dividend of US\$0.0715 per ordinary share (equivalent to HK\$0.5577 per ordinary share) (2020: US\$0.0379 per ordinary share (equivalent to HK\$0.2956 per ordinary share)) for the year ended December 31, 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Chervon Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results (“**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**,” “**we**,” “**us**” or “**our**”) for the year ended December 31, 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended December 31, 2020 as set out below. The Annual Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

We are pleased to announce that in 2021 we have achieved remarkable results and further expanded our overall competitive advantages. The Group's revenue grew by 46.4% from US\$1,200.9 million in 2020 to US\$1,757.8 million in 2021, further strengthening our market leadership position. Improvements in our product portfolio, brand recognition and sales and distribution network have contributed to the significant growth.

We have made significant accomplishments across our business units in 2021. Our power tools segment delivered revenue growth of 33.9% from US\$661.1 million in 2020 to US\$885.2 million in 2021. Our outdoor power equipment (“OPE”) segment delivered revenue growth of 62.0% from US\$533.7 million in 2020 to US\$864.6 million in 2021.

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

We continue to develop new products in-house and drive industry transformations. Leveraging our research and development capabilities, we have continuously upgraded our product portfolio. In 2021, we introduced 232 new products in total, and lithium-ion battery powered products accounted for approximately 77% of the new products.

For example, in the OPE segment, we have brought to market our riding mowers in 2021, which are equipped with brushless motor technology and powered by removable platform-compatible *EGO* lithium-ion batteries. These batteries are one of the first of its kind to apply across riding mowers, walk-behind mowers and handheld OPE products. We also launched the *SKIL* 40V OPE tools to strongly complement our suite of products in the mass-market OPE segment, further strengthening our growth potential.

In the power tool segment, we introduced a new series of lithium-ion battery powered high-end professional tools in North America, under our century-year old heritage brand *FLEX*, representing our first but significant step ahead in the North America professional power tool market.

Increasing end-user recognition for our brand portfolio

Supported by our end-user insights, advanced technologies and global sales and distribution network, we continue to increase end-user recognition for our proprietary brands in their respective markets. We have achieved rapid growth in large part through our five well-recognized and differentiated brands that comprehensively cover industrial/professional and consumer power tools and premium and mass-market OPE products. As of December 31, 2021, we had over nine million battery platforms sold globally under our *EGO* brand. In 2021, we also sold over one million battery packs on the 20V platform under our *DEVON* brand, making us a leader in China's high-end lithium-ion battery power tool market. Revenue from our original brand manufacturing (“OBM”) business grew by 51.7% from US\$746.3 million in 2020 to US\$1,132 million in 2021, and accounted for 64.4% of our total revenue in 2021, demonstrating the strengths of our proprietary brands.

Enhancing our multi-channel sales and distribution network

We continue to enhance our global multi-channel sales and distribution network that offers us effective touchpoints for end users across key markets, including North America, Europe, Oceania and Asia. We have deepened our collaboration with leading home centers and mass market retailers, and also strengthened our partnership with qualified distributors and local retailers to diversify our sales channels and promote brand recognition. By 2021, which was the first full year for our strategic partnership with a Fortune 500 home improvement company, power tools and OPE products under our *EGO*, *SKIL* and *FLEX* brands have become available across its stores in North America, which significantly contributed to our revenue growth in the relevant markets. Sales of *EGO*-branded OPE products through our dealer network also increased significantly in the European and Oceania markets.

Furthermore, we have enhanced our online sales channels by collaborating with e-commerce platforms and operating our own e-stores. Sales of our OBM products through our pure-play e-commerce channels in North America increased by over 100% from 2020 to 2021.

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

We continue to build competitive advantages by advancing our manufacturing technologies and production management capabilities. We have made long-term investments in a vertically integrated manufacturing system, which enables us to incorporate new technologies into core product components such as battery packs, motors and electric control circuits. We have focused on promoting the application of industrial engineering and quality control technologies in our assembly lines, and continued to improve the level of automation and transparency in our manufacturing system by horizontally integrating our information technology systems.

Impact of the COVID-19 Pandemic

During the Reporting Period, the coronavirus disease 2019 (“**COVID-19**”) pandemic has affected our operations and supply chain as a result of the government-imposed suspensions, and led to increases in the costs and time for transportation of our products in certain regions of the world. However, we believe that the COVID-19 pandemic has not had a material adverse impact on our results of operations in 2021. Our production facilities and offices generally remained open and we undertook measures such as social distancing, mask-wearing and mandatory virus testing for our employees. We also believe the COVID-19 pandemic has not had a material adverse effect on the demand from our customers and end-users.

At this point, we cannot accurately predict what effects the COVID-19 pandemic will have on our business going forward, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities. The continued impacts of COVID-19 or any future outbreak of a contagious disease may have a material adverse effect on our business, financial condition or results of operations.

Business Outlook

To drive sustainable long-term growth, we will continue to develop new products, expand our multi-channel sales and distributions network, enhance brand recognition, expand production capacities and improve operational efficiency and invest in human capital development. We will endeavor to consistently outperform the market and deliver superior results for our shareholders, employees and communities in a socially and environmentally responsible manner.

FINANCIAL REVIEW

Financial Results

Revenue

The Group's revenue increased by 46.4% from US\$1,200.9 million in 2020 to US\$1,757.8 million in 2021, primarily due to improvements in our product portfolio, brand recognition and sales and distribution network, as well as favorable market conditions.

Revenue by product category

Revenue from the sales of power tools increased by 33.9% from US\$661.1 million in 2020 to US\$885.2 million in 2021, primarily driven by the growth of sales across our proprietary brands and the expansion of our original design manufacturing (“ODM”) business for power tools with key customers.

Revenue from the sales of OPE products increased by 62.0% from US\$533.7 million in 2020 to US\$864.6 million in 2021, primarily driven by the increased sales of our *EGO*-branded OPE products across key markets and *SKIL*-branded OPE products in North America, as well as the expansion of our ODM business for our OPE products with key customers.

Revenue by geographic location

We achieved significant revenue growth across our geographic regions in 2021. Our revenue generated from North America, our largest geographic market, increased by 48.6% from US\$798.9 million in 2020 to US\$1,187.4 million in 2021. Our revenue from Europe increased by 36.0% from US\$297.3 million in 2020 to US\$404.2 million in 2021. Our revenue from China grew by 52.3% from US\$69.3 million in 2020 to US\$105.5 million in 2021. Our revenue from rest of the world grew by 71.3% from US\$35.4 million in 2020 to US\$60.7 million in 2021.

Gross Profit and Gross Profit Margin

Our gross profit increased by 34.1% from US\$368.7 million in 2020 to US\$494.5 million in 2021. During the same years, our overall gross profit margin decreased from 30.7% to 28.1%, primarily due to the impact of increases in raw material costs, Renminbi (“RMB”) appreciation and rising international shipping costs. Going forward, we will seek to improve our gross profit margins by introducing innovative products with higher margins and improving operation efficiency, among other measures.

Other Revenue and Other Net Loss or Gain

Other Revenue

Our other revenue, which primarily consisted of government grants, sale of scrap materials and rental income, amounted to US\$5.2 million in 2021, as compared to US\$5.8 million in 2020.

Other Net Gain or Loss

We had other net gain of US\$37.9 million in 2021, as compared to other net loss of US\$3.1 million in 2020. Our other net gain in 2021 was primarily attributable to (i) a gain on the disposal of a subsidiary of US\$22.0 million, which was related to the sale of our interests in Nanjing Jiu hao Electromechanical Industry Co., Ltd. (南京玖浩機電實業有限公司) (“**Jiu hao Electromechanical**”) and (ii) net unrealized gains on convertible bonds of US\$19.2 million, which was contributed by our investments in the convertible bond issued by Nanjing Chervon Auto Precision Technology Co., Ltd. (南京泉峰汽車精密技術股份有限公司) (“**Chervon Auto Precision Technology**”).

Selling and Distribution Expenses

Our selling and distribution expenses increased by 8.9% from US\$179.4 million in 2020 to US\$195.5 million in 2021, primarily due to a significant increase in our investments in marketing activities to maintain the momentum of sales growth, partially offset by a decrease in warranty costs.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 25.1% from US\$82.8 million in 2020 to US\$103.6 million in 2021, primarily due to increases in costs and expenses related to our initial public offering.

Research and Development Costs

Our research and development costs increased by 28.8% from US\$38.9 million in 2020 to US\$50.2 million in 2021, primarily due to the Company’s continued investments in research and development and new product initiatives.

Net Finance Costs

Our net finance costs decreased by 4.3% from US\$17.4 million in 2020 to US\$16.6 million in 2021.

Profit Before Tax

As a result of the foregoing, our profit before income tax in 2021 amounted to US\$176.1 million, representing an increase of 195.9% as compared to US\$59.5 million in 2020.

Income Tax Expense

Our income tax expense was US\$26.4 million in 2021, representing an increase of 137.1% from US\$11.1 million in 2020. Our effective tax rate was 15.0% in 2021, as compared to 18.7% in 2020, primarily due to additional tax incentives that we obtained in 2021 as a result of increases in our research and development activities.

Profit For The Year

As a result of the foregoing, our profit for the year increased by 209.4% from US\$48.4 million in 2020 to US\$149.7 million in 2021. Our net profit margin increased from 4.0% to 8.5% during the respective years.

Non-HKFRSs Measure: Adjusted Net Profit

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

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

The following table reconciles our Adjusted Net Profit for the 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,	
	2021	2020
	US\$'000	US\$'000
Profit for the year	149,721	48,388
Add:		
Listing expenses	7,873	272
Equity-settled share-based payment expenses	–	21,077
Loss on disposal of associates ⁽¹⁾	677	131
(Gain) on disposal of a subsidiary ⁽²⁾	(21,969)	–
Net unrealized (gains) on convertible bonds ⁽³⁾	(19,230)	–
Income tax effects of non-HKFRSs adjustments ⁽⁴⁾	7,965	(33)
	<hr/>	<hr/>
Adjusted net profit	<u>125,037</u>	<u>69,835</u>

Notes:

- (1) Represents the loss on disposal of our interests in Nanjing Suquan Investment Co., Ltd. (南京蘇泉投資管理有限公司) in 2021 and Nanjing Jiangning Lianshang Investment Co., Ltd. (南京江寧聯商股權投資有限公司) in 2020.
- (2) Represents the gain on disposal of our interests in Jiu hao Electromechanical in 2021.
- (3) Represents the net unrealized gains on our investment in the convertible bond issued by Chervon Auto Precision Technology.
- (4) Represents income tax effects of non-HKFRSs adjustments.

Liquidity and Financial Resources

Financial Position

The Group continued to maintain a strong financial position. As of December 31, 2021, the Group had US\$665.0 million in cash and cash equivalents (2020: US\$166.9 million), primarily due to strong operating cash flow performance and receipt of net proceeds from our initial public offering. 54.4%, 25.8%, 15.8%, 1.5% and 2.4% of our cash and cash equivalents and pledged deposits as of December 31, 2021 were denominated in HK dollar, 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, 2021, the Group had bank loans of US\$433.6 million (2020: US\$337.9 million), which were primarily denominated in RMB, and lease liabilities of US\$23.2 million (2020: US\$16.7 million). As of the same date, fixed-rate and floating-rate loans account for 58.8% and 41.2%, respectively, of the Group's total bank loans.

As of December 31, 2021, short-term bank loans and current portion of long-term bank loans collectively accounted for 98.0% of the total bank loans (2020: 86.0%).

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 1.2 as of December 31, 2020 to 0.6 as of December 31, 2021.

Working Capital

The Group's inventories amounted to US\$592.0 million as of December 31, 2021 as compared to US\$288.7 million as of December 31, 2020, primarily due to our business expansions and efforts to build up inventories to meet rising customer demands. Our inventory turnover days remained relatively stable at 127 days in 2021, as compared to 129 days in 2020.

The Group's trade and bills receivables turnover days were at 56 days in 2021, as compared to 59 days in 2020.

The Group's trade and bills payables turnover days were 110 days in 2021, as compared to 90 days in 2020, primarily due to (i) the impact of inventory increases during the fourth quarter of 2021 to meet rising customer demands, which resulted in higher balances of bills payables, and (ii) more favorable credit terms that we obtained from our suppliers.

Capital Expenditures

Our capital expenditures in 2021 amounted to US\$81.2 million (2020: US\$31.6 million), primarily due to the expansion of our production capacity.

Capital Commitments

As of December 31, 2021, 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\$467.7 million (2020: US\$49.5 million) for the expansion of our production capacity as disclosed in the Prospectus of the Company dated December 17, 2021 (the “**Prospectus**”).

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,	
	2021	2020
	US\$'000	US\$'000
Plant and buildings	44,226	44,724
Leasehold land	25,487	25,503
Investment properties	–	959
Intangible assets	1,459	1,754
Inventories	124,040	98,519
Trade and bills receivables	81,562	92,175
Pledged deposits	26,524	10,413
Other assets	4,252	6,801
	<hr/>	<hr/>
Total	307,550	280,848
	<hr/> <hr/>	<hr/> <hr/>

As of December 31, 2021, the Group had pledged deposits of US\$48.3 million (2020: US\$22.2 million), which will be released upon the settlement of letters of credit and bills payables and by the Group or the expiry of relevant banking facilities.

During the Reporting Period, certain bank facilities granted to the Group were pledged with the shares of Chervon Auto Precision Technology held by Chervon Precision Technology Holdings Limited. Pursuant to the agreements on September 9, 2021 and November 23, 2021 with the relevant banks, such pledged shares have been released.

Contingent Liabilities

During the Reporting Period, the Group issued guarantees in respect of loans made by certain financial institutions to Chervon Auto Precision Technology, which is an associate of the Group, and such guarantees have been released.

During the Reporting Period, the Group also 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, 2021, the maximum guarantee amount was US\$10.0 million (2020: US\$9.8 million) and the guarantee issued was US\$2.1 million (2020: US\$1.9 million).

Significant Investments Held

For the Reporting Period, the Group did not hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31, 2021).

Material Acquisitions and Disposals of Subsidiaries and Associates

On February 25, 2021, the Group has 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 (“**Mr. Pan**”). Pursuant to the agreement, the Group agreed to transfer 100% equity interest in Jiu hao Electromechanical to Chervon Management Services for a cash consideration of RMB171,160,100 (US\$26,314,000 equivalent). The consideration was determined with reference to the valuation of Jiu hao Electromechanical performed by independent valuation firm. The registration of the transfer was completed on March 8, 2021, upon which Jiu hao Electromechanical ceased to be the Group's subsidiary.

During the fourth quarter of 2021, Chervon (China) Investment Co., Ltd. (“**Chervon (China) Investment**”) exercised its pre-emptive rights to subscribe for public A-share convertible bonds issued by Chervon Auto Precision Technology in an aggregate principal amount of RMB118.6 million (US\$18.6 million equivalent). Chervon (China) Investment is the Company's wholly-owned subsidiary and owns 23.12% of Chervon Auto Precision Technology. Please refer to the section headed “Connected Transactions” of the Prospectus for further details.

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

Future Plans for Major Investments and Capital Assets

On January 28, 2022, Chervon (China) Investment Co., Ltd. (“**Chervon (China) Investment**”), a subsidiary of the Company, entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which Chervon (China) Investment agreed to conditionally subscribe for the A shares of Chervon Auto Precision Technology through a non-public offering (the “**Proposed Subscription**”) with a total subscription amount up to RMB500.0 million (US\$78.4 million equivalent) (the “**Maximum Subscription Amount**”). Pursuant to the Subscription Agreement, the final total number of A shares of Chervon Auto Precision Technology to be subscribed shall represent not more than 10% of the enlarged total issued share capital of Chervon Auto Precision Technology upon completion of the non-public offering (the “**Maximum Subscription Threshold**”). On March 30, 2022, Chervon (China) Investment and Chervon Auto Precision Technology entered into a supplemental subscription agreement to the Subscription Agreement, pursuant to which the parties agreed to include a supplemental provision to the Subscription Agreement that, subject to the Maximum Subscription Amount and the Maximum Subscription Threshold, Chervon (China) Investment shall conditionally subscribe for a minimum number of A shares of Chervon Auto Precision Technology representing not less than 15% and not more than 30% of the actual number of A shares of Chervon Auto Precision Technology to be issued through the non-public offering, while other terms and conditions of the Subscription Agreement remain unchanged and in full force and effect in all respects. 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. The Company, through Chervon (China) Investment, currently holds 23.12% of Chervon Auto Precision Technology as of the date of this announcement. Upon completion of the Proposed Subscription, Chervon Auto Precision Technology will not become a subsidiary of Chervon (China) Investment.

Save for (i) the Proposed Subscription for A shares of Chervon Auto Precision Technology as described above and (ii) the expansion plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group has no specific plans for major investments or acquisitions of 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 risks arising from the export of products and sales outside the country of manufacturing.

The Group enters into foreign exchange forward contracts with financial institutions to mitigate its exposures to fluctuations in foreign exchange rates. Fluctuations in the foreign exchange rates may lead to losses resulting from the Group’s exposure to foreign exchange forward contracts or similar arrangements. Our net foreign exchange loss in 2021 amounted to US\$14.1 million (2020: US\$11.5 million). Our net realized and unrealized gains on derivative financial instruments (which primarily include foreign exchange forward contracts) in 2021 were US\$10.1 million (2020: US\$8.2 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, 2021, the Group's largest customer and five largest customers accounted for approximately 40.9% and 64.7% respectively of the Group's total revenue; and the Group's largest supplier and five largest suppliers accounted for approximately 9.3% and 14.7% respectively of the Group's total purchases.

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

HUMAN RESOURCES

The number of employees of the Group was 6,732 as of December 31, 2021 (2020: 5,084). The total staff costs for the Reporting Period was US\$189.5 million as compared to US\$173.7 million in 2020. Pursuant to a Board resolution dated December 30, 2020, we granted to certain qualified employees of the Group the right to subscribe to a total of 11,670,600 ordinary shares of the Company, which resulted in equity settled share-based expenses of US\$21.1 million in 2020. 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.

OTHER INFORMATION

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 30, 2021 (the "**Listing Date**"). The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (as defined in the Prospectus), including the full exercise of the over-allotment option, of approximately HK\$3,467.2 million. Since the Listing Date and up to December 31, 2021, the Company had not utilized the net proceeds from the Global Offering. The Company intends to apply such net proceeds according to the manner, proportions and timeline as disclosed in the Prospectus.

The unutilized net proceeds are placed in licensed banks in PRC and Hong Kong as of the date of this announcement.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of US\$0.0715 per ordinary share (equivalent to HK\$0.5577 per ordinary share) for the year ended December 31, 2021. This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting of the Company (the “**AGM**”) to be held on Thursday, June 2, 2022, and will be paid to those Shareholders whose names appear on the Company’s register of members as of Tuesday, June 28, 2022.

CLOSURE OF REGISTER OF MEMBERS/RECORD DATE

The register of members of the Company will be closed from Friday, May 27, 2022 to Thursday, June 2, 2022, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Thursday, May 26, 2022.

Record date for determining the entitlement of the Shareholders to the final dividend (if approved by the Shareholders in the AGM) is Tuesday, June 28, 2022. To qualify for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Monday, June 27, 2022. The register of members of the Company will be closed on Tuesday, June 28, 2022, on which date no share transfers will be registered.

CORPORATE GOVERNANCE

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

The Company was listed on the Stock Exchange on the Listing Date and the CG Code as set out in Appendix 14 to the Listing Rules was not applicable to the Company before the Listing Date. Since the Listing Date and up to the date of this announcement, 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 performs both the roles of the Chairman of our Board and the chief executive officer of our Company. Mr. Pan is the principal founder of our Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Pan has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the period from the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

PUBLIC FLOAT

The Company has applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 18.43% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company’s entire issued share capital were held by the public since the Listing Date and up to the date of the announcement.

EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to December 31, 2021:

- (a) On January 21, 2022, the Company successfully issued and allotted additional 10,787,400 Shares pursuant to the over-allotment option, representing 15% of the maximum number of offer shares initially available under the Global Offering (as defined in the Prospectus), at the offer price of HK\$43.60 per Share.
- (b) On January 28, 2022, Chervon (China) Investment, a subsidiary of the Company, entered into a subscription agreement and conditionally agreed to subscribe for A shares of Chervon Auto Precision Technology through non-public offering with a total subscription amount up to RMB500.0 million (US\$78.4 million equivalent). Please refer to the section headed “Future Plans for Major Investments and Capital Assets” for further details.

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Dr. Li Minghui, Mr. Tian Ming and Mr. Jiang Li (with Dr. Li Minghui possessing the appropriate professional qualifications and accounting expertise).

The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the Annual Results.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended December 31, 2021 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 consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other 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 Auditing and Assurance Standards Boards and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND 2021 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, 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By Order of the Board
Chervon Holdings Limited
Pan Longquan
Chairman

Hong Kong, March 30, 2022

As of the date of this announcement, the Board comprises Mr. Pan, 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, 2021

		Year ended December 31,	
	Note	2021	2020
		US\$'000	US\$'000
Revenue	2	1,757,784	1,200,902
Cost of sales		<u>(1,263,276)</u>	<u>(832,190)</u>
Gross profit		494,508	368,712
Other revenue	3	5,180	5,801
Other net gain/(loss)	4	37,887	(3,140)
Selling and distribution expenses		(195,507)	(179,447)
Administrative and other operating expenses		(103,610)	(82,843)
Research and development costs		<u>(50,151)</u>	<u>(38,939)</u>
Profit from operations		188,307	70,144
Net finance costs	5	(16,617)	(17,357)
Share of profits of associates		<u>4,408</u>	<u>6,724</u>
Profit before taxation	6	176,098	59,511
Income tax expense	7	<u>(26,377)</u>	<u>(11,123)</u>
Profit for the year		<u>149,721</u>	<u>48,388</u>
Attributable to:			
Equity shareholders of the Company		144,544	44,359
Non-controlling interests		<u>5,177</u>	<u>4,029</u>
Profit for the year		<u>149,721</u>	<u>48,388</u>
Earnings per share	9		
Basic (US\$)		<u>0.36</u>	<u>0.11</u>
Diluted (US\$)		<u>0.36</u>	<u>0.11</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	<i>Note</i>	Year ended December 31,	
		2021	2020
		US\$'000	US\$'000
Profit for the year		149,721	48,388
Other comprehensive income for the year			
(after tax adjustments)			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of net defined benefit liability, net of tax		46	(39)
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Exchange difference on translation of financial			
statements of subsidiaries with functional			
currencies other than US dollar		<u>8,131</u>	<u>17,451</u>
Other comprehensive income for the year		<u>8,177</u>	<u>17,412</u>
Total comprehensive income for the year		<u>157,898</u>	<u>65,800</u>
Attributable to:			
Equity shareholders of the Company		152,675	60,221
Non-controlling interests		<u>5,223</u>	<u>5,579</u>
Total comprehensive income for the year		<u>157,898</u>	<u>65,800</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2021

	<i>Note</i>	As of December 31,	
		2021	2020
		US\$'000	US\$'000
Non-current assets			
Properties, plants and equipment	<i>10</i>	193,464	143,020
Right-of-use assets		48,919	42,629
Investment properties		–	1,262
Intangible assets		1,459	1,754
Interest in associates	<i>11</i>	66,492	57,201
Prepayments, deposits and other receivables		12,091	4,455
Financial assets at fair value through profit or loss (“ FVPL ”)	<i>12</i>	6,011	5,849
Deferred tax assets		26,878	24,178
		355,314	280,348
Current assets			
Financial assets at FVPL	<i>12</i>	38,031	5,372
Derivative financial instruments	<i>13</i>	4,744	5,827
Inventories		592,024	288,680
Right to returned goods asset		3,073	5,618
Trade and bills receivables	<i>14</i>	298,379	254,368
Prepayments, deposits and other receivables		43,303	40,170
Taxation recoverable		7,958	21,975
Pledged deposits		48,340	22,172
Cash and cash equivalents		664,990	166,937
		1,700,842	811,119
Current liabilities			
Bank loans		424,948	290,459
Derivative financial instruments	<i>13</i>	155	289
Lease liabilities		6,114	3,161
Trade and bills payables	<i>15</i>	513,252	247,529
Other payables and accruals	<i>16</i>	205,404	130,137
Taxation payable		8,251	6,628
Warranty provision		19,655	15,175
Refund liabilities from right of return		4,252	8,218
		1,182,031	701,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

As of December 31, 2021

	<i>Note</i>	As of December 31,	
		2021	2020
		US\$'000	US\$'000
Net current assets		518,811	109,523
Total assets less current liabilities		874,125	389,871
Non-current liabilities			
Bank loans		8,698	47,402
Lease liabilities		17,121	13,517
Warranty provision		32,291	30,775
Deferred income		4,150	4,152
Defined benefit retirement plans obligation		771	972
Deferred tax liabilities		14,077	9,029
		77,108	105,847
NET ASSETS		797,017	284,024
CAPITAL AND RESERVES			
Share capital	<i>17</i>	444,621	50,279
Reserves		352,396	209,459
Total equity attributable to equity shareholders of the Company		797,017	259,738
Non-controlling interests		-	24,286
TOTAL EQUITY		797,017	284,024

NOTES

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

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 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.

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, 2021 that is included in this announcement does not constitute the Company's annual consolidated financial statements for that financial year, but is derived from those financial statements.

Changes in Accounting Policies

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2
- Amendment to HKFRS 16, COVID-19-related rent concessions beyond June 30, 2021

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 plus ODM customers.
- 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.
- 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,	
	2021	2020
	US\$'000	US\$'000
Power tools	885,207	661,081
OPE	864,631	533,691
Others	7,946	6,130
	<u>1,757,784</u>	<u>1,200,902</u>

Geographic Information

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

	Year ended December 31,	
	2021	2020
	US\$'000	US\$'000
North America	1,187,353	798,913
Europe	404,210	297,260
China	105,537	69,295
Rest of the World	60,684	35,434
	<u>1,757,784</u>	<u>1,200,902</u>

3 OTHER REVENUE

Our other revenue in the years ended December 31, 2021 and 2020 mainly comprises of government grants, sale of scrap materials and rental income.

4 OTHER NET GAIN/(LOSS)

	Year ended December 31,	
	2021	2020
	US\$'000	US\$'000
Net foreign exchange loss	(14,126)	(11,497)
Net loss on disposal of properties, plants and equipment	(238)	(43)
Net unrealized gains on convertible bonds	19,230	–
Net realized and unrealized gains on financial assets at FVPL other than convertible bonds	1,190	165
Net realized and unrealized gains on derivative financial instruments	10,129	8,209
Loss on disposal of associates	(677)	(131)
Gain on disposal of a subsidiary (<i>Note</i>)	21,969	–
Others	410	157
	<u>37,887</u>	<u>(3,140)</u>

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

5 NET FINANCE COSTS

	Year ended December 31,	
	2021	2020
	US\$'000	US\$'000
Interest income from bank deposits	<u>(1,051)</u>	<u>(638)</u>
Finance income	<u>(1,051)</u>	<u>(638)</u>
Interest on bank loans	16,790	17,392
Interest on lease liabilities	<u>878</u>	<u>603</u>
Finance costs	<u>17,668</u>	<u>17,995</u>
Net finance costs	<u>16,617</u>	<u>17,357</u>

6 PROFIT BEFORE TAXATION

	Year ended December 31,	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation is arrived at after charging:		
Net finance costs	16,617	17,357
Staff costs	189,457	173,656
Depreciation charge	29,578	21,366
Amortization of intangible assets	296	296
Research and development costs	50,151	38,939
Provision for impairment loss on trade and other receivables	278	450
Provision for write-down of inventories	4,803	696
Auditors' remuneration	1,514	562
Listing expenses	7,873	272
Cost of inventories sold	1,265,063	832,230
	<u>1,265,063</u>	<u>832,230</u>

7 INCOME TAX EXPENSE

Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax		
<i>PRC Corporate Income Tax</i>		
Provision for the year	5,547	1,101
(Over)/under-provision in respect of prior years	(56)	152
	<u>5,491</u>	1,253
<i>Hong Kong Profits Tax</i>		
Provision for the year	12,627	2,916
<i>Tax jurisdictions outside PRC and Hong Kong</i>		
Provision for the year	6,696	5,869
Deferred tax		
Origination and reversal of temporary differences	1,563	1,085
Total income tax expense	<u>26,377</u>	<u>11,123</u>

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, 2020 and 2021. The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax at a statutory rate of 25%, except for Nanjing Chervon Industry Co., Ltd. (南京泉峰科技有限公司), which obtained the qualification as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% during the years ended December 31, 2020 and 2021. 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, 2020 and 2021, dividends payable to equity shareholders of the Company attributable to the previous financial years were US\$15,000,000 and US\$3,691,000, respectively.

Subsequent of the end of the Reporting Period, the Board recommended the payment of a final dividend of US\$0.0715 per ordinary share (equivalent to HK\$0.5577 per ordinary share) for the year ended December 31, 2021. This proposed final dividend is subject to the approval of the Shareholders at the forthcoming AGM.

9 EARNINGS PER SHARE

Basic Earnings Per Share

The calculation of basic and diluted earnings per share is based on the profit attributable to the Shareholders of US\$144,544,000 (2020: US\$44,359,000) and the weighted average of ordinary shares calculated as follows:

Weighted Average Number of Ordinary Shares

	Year ended December 31,	
	2021	2020
Ordinary shares at the beginning of the year	390,000,000	390,000,000
Effect of right issues (<i>Note i</i>)	5,781,540	5,536,504
Effect of issuance of ordinary shares under the Share Incentive Scheme (<i>Note ii</i>)	9,016,660	–
Effect of shares issued by initial public offering	197,030	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at the end of the year	404,995,230	395,536,504
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Pursuant to the resolution passed by the Board 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 HK\$1.00 to the Shareholders in proportion to their shareholding.
- (ii) Pursuant to a resolution of the Board 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 required under 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 HK\$4.7529 (equivalent to US\$0.6093) per share.

Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to the Shareholders of US\$144,544,000 (2020: US\$44,359,000), and the weighted average number of ordinary shares calculated as follows:

Weighted Average Number of Ordinary Shares (Diluted)

	Year ended December 31,	
	2021	2020
Weighted average number of ordinary shares at the end of the year	404,995,230	395,536,504
Effect of equity settled share-based transactions	1,800,977	24,072
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at the end of the year	406,796,207	395,560,576
	<hr/> <hr/>	<hr/> <hr/>

10 ADDITIONS OF PROPERTIES, PLANTS AND EQUIPMENT

During 2021, the Group spent approximately US\$72.2 million (2020: US\$31.0 million) on the acquisition of property, plant and equipment.

11 INTEREST IN ASSOCIATES

Our interest in associates as of December 31, 2021 primarily consisted of our 23.12% interest in Chervon Auto Precision Technology.

12 FINANCIAL ASSETS AT FVPL

Our financial assets at FVPL as of December 31, 2021 primarily consisted of insurance products and convertible bonds. Our financial assets at FVPL as of December 31, 2020 primarily consisted of insurance products, structured deposits and wealth management products and unlisted units in investment funds.

13 DERIVATIVE FINANCIAL INSTRUMENTS

Our derivative financial instruments as of December 31, 2021 and 2020 primarily consisted of foreign currency forward contracts and foreign currency option contracts. We also had an interest rate swap contract as of December 31, 2021.

14 TRADE AND BILLS RECEIVABLES

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

	As of December 31,	
	2021	2020
	US\$'000	US\$'000
Trade debtors and bills receivable, net of loss allowance		
– measured at amortized cost		
Trade receivables	168,880	164,475
Bills receivables	10,945	4,746
– measured at fair value through other comprehensive income		
Trade receivables	118,554	85,147
	<u>298,379</u>	<u>254,368</u>

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

	As of December 31,	
	2021	2020
	US\$'000	US\$'000
Within 6 months	175,598	165,140
Over 6 months but within 12 months	3,731	3,153
Over 12 months	496	928
	<u>179,825</u>	<u>169,221</u>

15 TRADE AND BILLS PAYABLES

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

	As of December 31,	
	2021	2020
	US\$'000	US\$'000
Trade payables	468,073	217,788
Bills payable	45,179	29,741
	<u>513,252</u>	<u>247,529</u>

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

	As of December 31,	
	2021	2020
	US\$'000	US\$'000
Within 3 months	458,426	216,913
3 to 12 months	54,826	30,616
	<u>513,252</u>	<u>247,529</u>

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

16 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2021	2020
	US\$'000	US\$'000
Amounts due to related parties	–	8,251
Other payables and accrued charges (<i>Note</i>)	165,628	78,357
Salaries, wages, bonus and benefits payable	28,976	31,726
Payables for purchase of properties, plants and equipment	2,912	2,849
Interest payables	752	3,062
Other tax payables	7,136	5,256
Receipt in advance – lease prepayment	–	636
	<u>205,404</u>	<u>130,137</u>

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

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

17 SHARE CAPITAL

	Number of Shares	HK\$'000	US\$'000
Ordinary shares, issued and fully paid:			
As of January 1, 2020, December 31, 2020 and January 1, 2021	390,000,000	390,000	50,279
Issuance of ordinary shares under right issues (<i>Note i</i>)	5,844,911	5,845	749
Issuance of ordinary shares under the Share Incentive Scheme	11,670,500	55,435	7,107
Issuance of ordinary shares by initial public offering, net of issuance costs (<i>Note ii</i>)	71,916,000	3,014,591	386,486
As of December 31, 2021	<u>479,431,411</u>	<u>3,465,871</u>	<u>444,621</u>

Notes:

- (i) Pursuant to a written resolution passed by the Board 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.
- (ii) On December 30, 2021, the Company issued 71,916,000 shares at an offer price of HK\$43.60 per share by way of public offering. Net proceeds from these issues amounted to HK\$3,014,591,000 (US\$386,486,000 equivalent) (after offsetting costs directly attributable to the issue of shares of HK\$120,947,000 (US\$15,506,000 equivalent), which were recorded in share capital.

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,	
	2021	2020
	US\$'000	US\$'000
Contracted for	2,203	47,326
Authorised but not contracted for	465,462	2,153
	<u>467,665</u>	<u>49,479</u>
Represented by:		
Construction of plant and buildings	461,211	46,900
Acquisition of machinery and equipment	6,454	2,579
	<u>467,665</u>	<u>49,479</u>