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CHEERWIN

Cheerwin Group Limited

朝雲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6601)

GRANT OF SHARE OPTIONS AND GRANT OF RESTRICTED SHARES

The board (the “**Board**”) of directors (the “**Directors**”) of Cheerwin Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces that the Company has resolved to make grants of share options (the “**Share Option(s)**”) under the share option scheme adopted on 23 July 2021 (the “**Share Option Scheme**”) and restricted shares (the “**Restricted Shares**”) under the restricted share award scheme (the “**RSA Scheme**”) adopted on 3 June 2021.

THE GRANT OF SHARE OPTIONS

This announcement is made pursuant to Rule 17.06A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Board is pleased to announce that on 23 September 2021 (the “**Date of Grant**”), the Company has offered to grant (the “**Proposed Grant**”) an aggregate of 69,800,000 Share Options to a total of nine participants (the “**Grantees**”) entitled under the Share Option Scheme to subscribe for a total of 69,800,000 ordinary shares of US\$0.0000002 each of the Company (the “**Share(s)**”), representing approximately 5.23% of the issued Shares as at the Date of Grant. Details of the aforesaid Proposed Grant are set out below:

- Date of Grant : 23 September 2021
- Exercise price of the Share Options : HK\$4.33 per Share, which representing the highest of:
- (i) the closing price of HK\$4.33 per Share as stated in the Stock Exchange’s daily quotation sheet on the Date of Grant;
 - (ii) the average closing price of HK\$4.098 per Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Date of Grant; and
 - (iii) the nominal value of US\$0.0000002 per Share.

Number of Share Options granted : 69,800,000 Share Options, of which the grant of 65,000,000 Share Options is subject to the approval of the shareholders of the Company (the “**Shareholder(s)**”) in general meeting. Each Share Option shall entitle the holder thereof to subscribe for one Share.

Closing price of the Shares on the Date of Grant : HK\$4.33 per Share

Validity period of the Share Options : The option period of the Share Options shall be not more than 10 years commencing from the Date of Grant, and the Share Options shall lapse at the expiry of the option period (as defined under the Share Option Scheme).

In respect of the Share Options to be granted to Ms. Chen Danxia, from the date upon obtaining the independent Shareholders’ approval at the extraordinary general meeting of the Company (the “**EGM**”).

Exercise period of the Share Options : Subject to the terms of the Share Option Scheme and the attainment of the Performance Target (as defined below) and terms set out in the letter of grant,

(i) up to 9,950,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2022;

(ii) up to 9,950,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2023;

(iii) up to 9,950,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2024;

(iv) up to 9,950,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2025;

(v) up to 5,000,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2026;

(vi) up to 5,000,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2027;

(vii) up to 5,000,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2028;

- (viii) up to 5,000,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2029;
- (ix) up to 5,000,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2030; and
- (x) up to 5,000,000 Share Options (subject to the rounding to the prevailing board lot) will become exercisable from 15 April 2031.

Vesting date of the Share Options : 19,800,000 Share Options granted to Ms. Chen Danxia and eight other Grantees, excluding Ms. Chen Danxia pursuant to the Proposed Grant will be vested in four equal tranches annually from 2022, subject to the terms of the Share Option Scheme and the fulfilment of the Performance Target:

- (i) if the Performance Target is achieved within first year from the date on which the Shares are listed on the Stock Exchange (the “**Listing Date**”), i.e. 10 March 2021, 4,950,000 Share Options will vest on 15 April 2022;
- (ii) if the Performance Target is achieved between first to second year from the Listing Date, 4,950,000 Share Options will vest on 15 April 2023;
- (iii) if the Performance Target is achieved between second to third year from the Listing Date, 4,950,000 Share Options will vest on 15 April 2024; and
- (iv) if the Performance Target is achieved between third to fourth year from the Listing Date, 4,950,000 Share Options will vest on 15 April 2025.

50,000,000 Share Options granted to Ms. Chen Danxia pursuant to the Proposed Grant will be vested in ten equal tranches annually from 2022, subject to the terms of the Share Option Scheme and the fulfilment of the Performance Target:

- (i) if the Performance Target is achieved within first year from the Listing Date, 5,000,000 Share Options will vest on 15 April 2022;
- (ii) if the Performance Target is achieved between first to second year from the Listing Date, 5,000,000 Share Options will vest on 15 April 2023;
- (iii) if the Performance Target is achieved between second to third year from the Listing Date, 5,000,000 Share Options will vest on 15 April 2024;

- (iv) if the Performance Target is achieved between third to fourth year from the Listing Date, 5,000,000 Share Options will vest on 15 April 2025;
- (v) if the Performance Target is achieved between fourth to fifth from the Listing Date, 5,000,000 Share Options will vest on 15 April 2026;
- (vi) if the Performance Target is achieved between fifth to sixth from the Listing Date, 5,000,000 Share Options will vest on 15 April 2027;
- (vii) if the Performance Target is achieved between sixth to seventh from the Listing Date, 5,000,000 Share Options will vest on 15 April 2028;
- (viii) if the Performance Target is achieved between seventh to eighth from the Listing Date, 5,000,000 Share Options will vest on 15 April 2029;
- (ix) if the Performance Target is achieved between eighth to ninth from the Listing Date, 5,000,000 Share Options will vest on 15 April 2030; and
- (x) if the Performance Target is achieved between ninth to tenth from the Listing Date, 5,000,000 Share Options will vest on 15 April 2031.

Performance target (“**Performance Target**”) : The Company has established an appraisal mechanism for the purpose of calculating and assessing the fulfilment of performance targets by each of the Grantees, including Ms. Chen Danxia, in relation to vesting of Share Options granted to them. The appraisal mechanism is a scoring system which comprises a mixture of key performance indicators (“**KPI**”) components which vary among the Grantees. Such KPI applied to Ms. Chen Danxia solely comprises of performance targets for the business of the Group as a whole.

The KPI in relation to the Group as a whole includes:

- (a) Revenue growth rate of the Group (with a weight of 50%); and
- (b) Net profit growth rate of the Group (with a weight of 50%).

The weighted average calculation result (the “**Result**”) of the two indicators (a) and (b) above will be used to determine the performance coefficient of the Company (the “**Coefficient**”):

- (i) if the Result is 100% or more, the Coefficient will be 1;
- (ii) if the Result is between 90% and 100% (not including 100%), the Coefficient will be 0.9;
- (iii) if the Result is between 80% and 90% (not including 90%), the Coefficient will be 0.8;
- (iv) if the Result is between 70% and 80% (not including 80%), the Coefficient will be 0.7; and
- (v) if the Result is less than 70%, the Coefficient will be 0.

The number of Share Options vested to Ms. Chen Danxia in a year will be calculated by multiplying the total number of Share Options planned to be vested to her in the year by the Coefficient of the same year.

For the eight other Grantees, excluding Ms. Chen Danxia, the appraisal mechanism is a scoring system used to determine the personal attribution ratio (the “**Personal Attribution Ratio**”) for each of them:

- (i) for a grantee whose KPI score is more than 90, the Personal Attribution Ratio will be 100%, representing 100% of the Share Options planned to be vested to him/her in the year shall be vested;
- (ii) for a grantee whose KPI score is between 80 and 90 (not including 90), the Personal Attribution Ratio will be 80%, representing 80% of the Share Options planned to be vested to him/her in the year shall be vested; and
- (iii) for a grantee whose KPI score is less than 80, the Personal Attribution Ratio will be 0%, representing none of the Share Options planned to be vested to him/her in the year shall be vested.

In addition, for the eight other Grantees, excluding Ms. Chen Danxia, if the Result is less than 70%, none of the Share Options planned to be vested in the year shall be vested.

The table below shows a breakdown of Share Options that were granted to (i) the Directors and chief executive of the Company; and (ii) other employees of the Group:

Name of Grantee	Position held with the Company/ relationships with the Company	Number of Share Options granted
Ms. Chen Danxia	Executive Director, Chairman and Chief Executive Officer	65,000,000
Ms. Wang Dong	Chief Operating Officer and Joint Company Secretary	600,000
Mr. Xie Rusong	Executive Director and Vice President	600,000
Mr. Zhong Xuyi	Executive Director and Chief Financial Officer	600,000
Other Employees of the Group	Employees of the Group	<u>3,000,000</u>
Total		<u><u>69,800,000</u></u>

Save as disclosed above, none of the Grantees is a Director, chief executive or substantial Shareholder (within the meaning as ascribed to it under the Listing Rules) of the Company, or any of their respective associate(s) (within the meaning as ascribed to it under the Listing Rules).

LISTING RULES IMPLICATIONS

Pursuant to Rule 17.04(1) of the Listing Rules and the Share Option Scheme, the grant of Share Options by the Company to any Director, chief executive, or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Directors who are the Grantees of the Share Options concerned). The grant of Share Options to each of the above Directors and chief executive of the Company has been reviewed and approved by the independent non-executive Directors accordingly.

Pursuant to Rule 17.03(4), where any further grant of Share Options to the Grantees would result in the shares of the Company issued and to be issued upon exercise of all Share Options granted and to be granted to such person (including exercised, cancelled and outstanding) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of shares of the Company in issue, such further grant must be separately approved by shareholders in general meeting with such Grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.

As at the Date of Grant, there were 1,333,333,500 Shares in issue. The proposed grant of 65,000,000 Share Options to Ms. Chen Danxia, being an executive Director, chairman of the Board and the chief executive officer of the Company, will result in the Shares to be issued upon exercise in full of the Share Options to be granted to her in the 12-month period up to and including the Date of Grant representing in aggregate over 1% of the Shares in issue.

Accordingly, the Company proposes to seek the approval of the proposed grant of 65,000,000 Share Options to Ms. Chen Danxia by the independent Shareholders at the EGM. As required under the Note to Rule 17.03(4) of the Listing Rules, Ms. Chen Danxia and her respective associates shall abstain from voting at the EGM for the purpose of approving the grant of Share Options to her.

As at the date of this announcement, no options have been granted to any Grantees by the Company under the Share Option Scheme and any other share option schemes of the Company except for the Share Options.

A circular containing, amongst other things, further information in relation to the grant of Share Options to Ms. Chen Danxia as required under the Listing Rules, together with the notice of the EGM, will be dispatched to the Shareholders in due course.

THE GRANT OF RESTRICTED SHARES

Reference is made to the announcement of the Company dated 3 June 2021 (the “**Announcement**”) in relation to the adoption of the RSA Scheme, a summary of the principal terms of which was set out in the Announcement. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board is pleased to announce that on 23 September 2021, nine selected grantees (the “**RSA Grantee(s)**”) were granted 19,800,000 Restricted Shares, subject to acceptance of the RSA Grantees and pursuant to the RSA Scheme (the “**RSA Grant**”). Details of the RSA Grant are set out as follows:

Number of Restricted Shares: 19,800,000 Restricted Shares, representing approximately 1.48% of the number of the issued Shares as at the date of this announcement

Date of Grant: 23 September 2021

Market price of the Shares: The closing price per Share on the Stock Exchange on the date of grant of the Restricted Shares is HK\$4.33 per Share

Vesting conditions (“**Vesting Conditions**”): The Vesting Conditions of the Restricted Shares granted to Ms. Chen Danxia solely comprise of performance targets for the business of the Group as a whole.

The KPI in relation to the Group as a whole includes:

- (a) Revenue growth rate of the Group (with a weight of 50%); and
- (b) Net profit growth rate of the Group (with a weight of 50%).

The Result of the two indicators (a) and (b) above will be used to determine the Coefficient of the Company:

- (i) if the Result is 100% or more, the Coefficient will be 1;
- (ii) if the Result is between 90% and 100% (not including 100%), the Coefficient will be 0.9;
- (iii) if the Result is between 80% and 90% (not including 90%), the Coefficient will be 0.8;
- (iv) if the Result is between 70% and 80% (not including 80%), the Coefficient will be 0.7; and
- (v) if the Result is less than 70%, the Coefficient will be 0.

The number of Restricted Shares vested to Ms. Chen Danxia in a year will be calculated by multiplying the total number of Restricted Shares planned to be vested to her in the year by the Coefficient of the same year.

For the eight other RSA Grantees, excluding Ms. Chen Danxia, the appraisal mechanism is a scoring system used to determine the Personal Attribution Ratio for each of them:

- (i) for a grantee whose KPI score is more than 90, the Personal Attribution Ratio will be 100%, representing 100% of the Restricted Shares planned to be vested to him/her in the year shall be vested;
- (ii) for a grantee whose KPI score is between 80 and 90 (not including 90), the Personal Attribution Ratio will be 80%, representing 80% of the Restricted Shares planned to be vested to him/her in the year shall be vested; and
- (iii) for a grantee whose KPI score is less than 80, the Personal Attribution Ratio will be 0%, representing none of the Restricted Shares planned to be vested to him/her in the year shall be vested.

For the eight other RSA Grantees excluding Ms. Chen Danxia, the number of Restricted Shares vested to each of them in a year will be calculated by multiplying the total number of Restricted Shares planned to be vested to him/her in the year by the Coefficient of the same year and then by his/her Personal Attribution Ratio.

The table below shows a breakdown of the Restricted Shares that were granted to (i) the Directors and chief executive of the Company; and (ii) other employees of the Group:

Name of RSA Grantee	Position held with the Company/ relationships with the Company	Number of Restricted Shares Granted	Approximate % of the issued Share as at the date of this announcement
Ms. Chen Danxia	Executive Director, Chairman and Chief Executive Officer	15,000,000	1.12%
Ms. Wang Dong	Chief Operating Officer and Joint Company Secretary	600,000	0.04%
Mr. Xie Rusong	Executive Director and Vice President	600,000	0.04%
Mr. Zhong Xuyi	Executive Director and Chief Financial Officer	600,000	0.04%
Other Employees of the Group	Employees of the Group	3,000,000	0.22%
Total		<u>19,800,000</u>	<u>1.48%</u>

Note: The percentages may not add up to the total due to rounding.

Save as disclosed above, to the best knowledge, information and belief of the Board, none of the RSA Grantees is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them.

The grant of Restricted Shares has been approved by the independent non-executive Directors in accordance with the RSA Scheme and has been reviewed and approved by the remuneration committee of the Company.

The last batch of the Restricted Shares will be vested on 15 April 2025.

For the purpose of the RSA Scheme, the Company has appointed a trustee, Futu Trustee Limited (the “**Trustee**”), to hold Shares in two separate trust plans for the respective benefit of the connected persons (the “**Connected Grantees**”) and other non-connected persons (the “**Non-connected Grantees**”) of the Company. The Trustee will hold 16,200,000 Restricted Shares for three Connected Grantees and 3,600,000 Restricted Shares for the other six Non-connected Grantees, respectively, in accordance with the terms of the RSA Scheme. The Restricted Shares held for the Non-connected Grantees will be counted as public float. As at the date of this announcement, the Trustee and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The Trustee shall not exercise the voting rights in respect of any Shares held under the trust including but not limited to the Restricted Shares.

The Restricted Shares are existing Shares received by the Trustee as directed and procured by the Company and are currently held by the Trustee in accordance with the rules of the RSA Scheme and the trust deed and will be transferred to the RSA Grantees upon satisfaction of the relevant Vesting Conditions as may be specified by the Board at the time of making the RSA Grant. As no new Shares will be issued by the Company as a result of the RSA Grant, the RSA Grant will not result in any dilution effect on the shareholdings of existing Shareholders.

By order of the Board
Cheerwin Group Limited
Chen Danxia

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 23 September 2021

As at the date of this announcement, the Board comprises Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi as executive Directors; Mr. Chen Zexing as non-executive Director; and Dr. De-Chao Michael Yu, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan as independent non-executive Directors.