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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)**

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

### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<b>1,769,157</b>	1,702,154
Gross profit	<b>787,426</b>	742,582
Profit before tax	<b>120,289</b>	293,332
Profit for the year	<b>90,765</b>	232,909
Adjusted profit for the year <sup>#</sup>	<b>103,755</b>	261,623
Earnings per share		
– Basic (RMB cents)	<b>7.25</b>	22.49

<sup>#</sup> Adjusted for one-time charity donations and listing expenses.

## **OPERATING HIGHLIGHTS**

- Implementation of multi-brand and multi-category strategies: Our Group's revenue has grown steadily, with an increase of 14.5% for revenue of the fourth quarter in 2021 compared with that of the same period in 2020. Revenue from our pet business has increased by 138.9% from the year ended 31 December 2020 to the year ended 31 December 2021 and revenue generated from our household repellent and insecticide products increased by 11.8% over the same period.
- Comprehensive online and offline coverage with rapid growth: Revenue generated through online channels and offline distributors recorded an increase of 45.0% and 1.8% from the year ended 31 December 2020 to the year ended 31 December 2021, respectively. During the same period, revenue from self-operated online stores increased significantly by 41.1% which benefits our overall gross profit growth.
- Stable revenue and gross profit growth: Our Group's revenue increased by 3.9% from RMB1,702.2 million for the year ended 31 December 2020 to RMB1,769.2 million for the year ended 31 December 2021, among which our revenue increased by 9.7% for sales of products excluding those in relation to the COVID-19 pandemic during the same period. Our overall gross profit increased steadily by 6.0% from RMB742.6 million for the year ended 31 December 2020 to RMB787.4 million for the year ended 31 December 2021. Although the cost of raw materials continued to rise from 2020 to 2021, we continue to improve our gross profit level as we broadened the source of raw material supplies and did not rely on any single kind of raw materials, and we launched new products with high gross profit margin to optimize the product category structure continuously and guarantee our supply capability effectively.
- Sufficient cash reserves: Our Group maintained sufficient cash reserves. As of 31 December 2021, our cash, cash equivalents and time deposit reached RMB2,668.2 million.

## **FINAL DIVIDEND**

- The Board has recommended the payment of a final dividend of RMB0.0553 per ordinary share (equivalent to HK\$0.0680 per ordinary share) for the year ended 31 December 2021, representing an increase of annual dividend payout ratio from approximately 25% for the year ended 31 December 2020 to approximately 80% for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Cheerwin Group Limited (the “**Company**”) is pleased to announce the audited consolidated annual results (“**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 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**

In 2021, multiple challenges such as the complex international environment, the COVID-19 pandemic, extreme weather, shrinking demand, supply shock and weakening expectations have brought huge pressure to the household care industry. With the implementation of our omni-channel development strategy of multi-brand, multi-category and various business deployments in advance, we effectively responded to these challenges during this period. In the meantime, due to the sudden outbreak of the COVID-19 pandemic in Guangzhou in May 2021, our Company suspended on-site work for one month according to the policies of the government authorities. Despite such unexpected adjustment, our forward-looking strategies and risk control measures have safeguarded a variety of our growth drivers for the long-term development of our Company.

**With the effective implementation of our multi-brand and multi-category strategy, we achieved speedy development of pet products and steadily improved the household care products growth.**

- For the pet products category, revenue increased by 138.9% from RMB22.0 million for the year ended 31 December 2020 to RMB52.7 million for the year ended 31 December 2021. Over the same period, gross profit margin of pet products increased from 54.5% to 58.0%, which is higher than our overall gross profit margin for the year ended 31 December 2021. In terms of pet products, our Group has successfully launched a popular series of pet deodorisation and sterilisation products and cat litter products. In the meanwhile, we launched a pet fresh meat product line with high gross profit margin, including cat staple food, dog staple food, cat treats and probiotics, etc. With extensive experience in the pet industry, we further developed and strengthened our presence in pet food market;
- For the household care products (including household repellents and insecticides, household cleaning and air care products), revenue increased steadily by 3.1% from RMB1,560.5 million for the year ended 31 December 2020 to RMB1,608.3 million for the year ended 31 December 2021:
  - ◆ Revenue from our household repellent and insecticide products, being our leading product category, increased by 11.8% from RMB996.0 million for the year ended 31 December 2020 to RMB1,113.8 million for the same period in 2021 due to the upgrade and launch of products and penetration of omni-channels sales of such products;
  - ◆ Revenue from our household cleaning products (excluding the sterilisation and disinfectant products) increased by 3.1% from RMB391.7 million for the year ended 31 December 2020 to RMB404.0 million for the year ended 31 December 2021. However, the overall revenue from household cleaning products decreased by 12.7% from RMB501.1 million to RMB437.4 million during the same period, primarily because (i) in 2020, there was a sudden surge in the demand for household cleaning products due to the COVID-19 outbreak; and (ii) in 2021, competitors in the market sought to increase their market shares by adopting low price strategy, while our Company did not participate in the price competition taking into consideration that such low price strategy is not in line with our long-term interest;

- ◆ Revenue from our air care products decreased by 9.8% from RMB63.4 million for the year ended 31 December 2020 to RMB57.2 million for the year ended 31 December 2021; and
- Revenue from our personal care products (excluding hand sanitisers) increased by 0.2% from the year ended 31 December 2020 to the year ended 31 December 2021. However, due to the sudden surge of demand for hand sanitiser products during the COVID-19 pandemic in 2020 and our Company's choice of not participating in the short-term price war in the market in 2021, the overall revenue from our personal care products decreased by 7.0% from RMB108.4 million to RMB100.8 million over the same period.

**With the effective implementation of our multi-channel development strategy, our online channels experienced rapid growth and we steadily enhanced the offline distributor channels growth.**

- For the year ended 31 December 2021, revenue from our online channels reached RMB426.6 million, which increased significantly by 45.0% from the year ended 31 December 2020, primarily due to (i) the expansion and development of our self-operated online stores, the revenue from which increased by 41.1% over the same period; and (ii) our advanced deployment in the new sales channel of community e-commerce platforms, which contributed to an increase in revenue of RMB38.0 million over the same period;
- Revenue from the corporate and institutional customer channel grew significantly with a surge of 90.5% in revenue from RMB3.4 million for the year ended 31 December 2020 to RMB6.5 million for the year ended 31 December 2021;
- Revenue from the overseas sale channel grew rapidly with an increase of 124.8% from RMB0.5 million for the year ended 31 December 2020 to RMB1.1 million for the year ended 31 December 2021;
- Revenue from the traditional offline distributor channel increased by 1.8% from RMB1,045.9 million for the year ended 31 December 2020 to RMB1,064.2 million for the year ended 31 December 2021. Although this channel was challenged by other newly developed channels, we continue to develop our sales and distribution network successfully supported by our sufficient cash flows and embracing lower-tier points of sales market strategy; and
- Revenue from our traditional retail channel (Liby channel) decreased by 24.5% from RMB358.1 million for the year ended 31 December 2020 to RMB270.4 million for the year ended 31 December 2021. In response to the challenges of the traditional retail channels, our Company adjusted strategies on time and decided not to participate in the short-term price war in the market. We will strive to take effective measures to face challenges of the traditional retail channels based on our sustainable development strategy.

**Our gross profit has been steadily increasing and we maintained sufficient cash reserves.**

Our gross profit increased steadily by 6.0% from RMB742.6 million for the year ended 31 December 2020 to RMB787.4 million for the year ended 31 December 2021. Although the cost of raw materials continued to rise from 2020 to 2021, we continue to improve our gross profit level as we broadened the source of raw material supplies and did not rely on any single kind of raw materials, and we launched new products with high gross profit margin to optimize the product category structure continuously and guarantee our supply capability effectively.

Our Group maintained sufficient cash reserves. As of 31 December 2021, our cash, cash equivalents and time deposit reached RMB2,668.2 million.

**The implementation of employee incentive schemes incentivised our management team and empowered the development of our Group.**

Our employee incentive schemes include the share option scheme adopted on 23 July 2021 (the “**Share Option Scheme**”) and the restricted share award scheme (the “**RSA Scheme**”) adopted on 3 June 2021. Pursuant to the Share Option Scheme, our Company will offer share options to entitled participants on the condition that the performance target of the Group and the grantees is fulfilled. During the year, the Company granted a total of 4,800,000 share options under the Share Option Scheme to the eligible participants and the exercise price of the share options is HK\$4.33 per share. For the RSA Scheme, selected grantees will be granted with restricted shares, subject to the vesting conditions pursuant to the RSA Scheme.

The Board will select eligible participants of the Share Option Scheme and RSA Scheme based on the employee’s performance and contribution to the Group. As the Share Option Scheme and RSA Scheme have different vesting schedule and different vesting conditions, the adoption of two schemes will provide the Board more flexibility to determine and employ a combination of different share incentive to suit business needs of the Company. Selected eligible participants will be encouraged to perform in their best to achieve the financial goals of the Group and to promote the turnover and profitability of the Group and at the same time allow themselves to enjoy their own benefit of the share options and restricted shares. The Company considered that the Share Option Scheme together with the RSA Scheme is fair and reasonable and in the interest of the Company and the shareholders of the Company (the “**Shareholders**”) as a whole.

**We have established strategic cooperation with Shandong Shuaike to deepen our presence in the supply chain and research and development of pet staple food business.**

Our Group agreed to invest RMB66.9 million in Shandong Shuaike Pet Product Co., Ltd. (山東帥克寵物用品有限公司) (“**Shandong Shuaike**”), an independent domestic company engaged in the processing of natural fresh meat pet staple food with leading production capacity and technology. The parties will carry out strategic cooperation in areas including pet food research and development, procurement, production, supply chain cooperation and capital cooperation. The Board believed that the cooperation will help our Group to effectively manage our production capacity, optimize our production costs and improve our product quality. With the strategic cooperation, we will be able to further enhance our core competitiveness and consolidate our leading position in the pet industry.

**Business Outlook**

Entering 2022, we will continue to implement the multi-brand and multi-category strategies, optimise our product portfolio and product mix, develop our omni-channel sales and distributions network, consolidate and strengthen our business, deepen our presence in the pet industry and personal care industry so as to achieve sustainable development of our Group.

To reinforce our position as a leader in China’s household care industry and to facilitate the rapid development of our pet business, our Group is committed to implementing the following growth strategies:

- Pet business: One of our focuses is to fully develop the pet fresh meat staple food business. At the same time, we will maintain the rapid growth of our online channels, continue to develop the offline channels and further expand the OEM business. The above strategy is expected to increase our market share in the industry and improve our overall profitability;
- Personal care business: We will set up a professional team for personal care business to analyse, optimize and upgrade the growth points and profitability of the existing personal care products categories, such as florida water, soap, hand sanitiser, and continue to expand products categories so as to achieve the rapid development of our personal care business and strengthen our new business growth point;

- Offline distribution channels: We will further strengthen our leading position in the offline distribution channels, continue to implement the “Millions of Distributors” project and expand our distribution network and increase the number of points of sales;
- Online distribution channels: We will accelerate the penetration in emerging online channels such as Tik Tok, Kuaishou, community retail and online-to-offline business, and create a product matrix that suits different customers in these emerging online channels in terms of product design, price system design and differentiated brand marketing;
- Supply chain deployment: We will strengthen the development of our upstream supply chain, and continue to deploy in areas including cat litter upstream market, pet health products, overseas pet raw materials and technology mergers and acquisitions;
- Technology research and development: We will promote cooperation in pet food research and development, including but not limited to setting up joint pet food and health products research laboratories to enhance the core competitiveness of our pet business;
- Refined management: We will implement the amoeba management system model in the day-to-day management of our sales channels and product categories to improve the profitability of each channel and category;
- Team building and incentives: We will continue to promote multiple incentive mechanisms such as share options and restricted shares incentives, cash incentives and partnership operations to enhance the organizational cohesion and coordination of our Group and ensure the sound implementation of our development strategies; and
- The Group plans to implement a high-ratio and stable dividend payout policy to maximize shareholder returns.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	NOTES	RMB'000	RMB'000
<b>Revenue</b>	3	<b>1,769,157</b>	1,702,154
Cost of sales		<u>(981,731)</u>	<u>(959,572)</u>
<b>Gross profit</b>		<b>787,426</b>	742,582
Other income	4	<b>65,483</b>	39,826
Other gains and losses	5	<b>(15,897)</b>	(17,754)
Reversal of (impairment losses) in respect of trade receivables, net		<b>310</b>	(1,807)
Selling and distribution expenses		<b>(526,389)</b>	(372,030)
Administrative expenses		<b>(179,001)</b>	(84,580)
Finance costs	6	<b>(1,613)</b>	(2,645)
Listing expenses		<u><b>(10,030)</b></u>	<u>(10,260)</u>
<b>Profit before tax</b>		<b>120,289</b>	293,332
Income tax expense	7	<u><b>(29,524)</b></u>	<u>(60,423)</u>
<b>Profit for the year</b>	8	<b>90,765</b>	232,909
<i>Other comprehensive (expense) income</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u><b>(18,232)</b></u>	<u>11</u>
<b>Total comprehensive income for the year</b>		<u><b>72,533</b></u>	<u>232,920</u>
<b>Profit (loss) for the year attributable to:</b>			
– Owners of the Company		<b>92,093</b>	223,781
– Non-controlling interests		<u><b>(1,328)</b></u>	<u>9,128</u>
		<u><b>90,765</b></u>	<u>232,909</u>
<b>Total comprehensive income (expense) for the year attributable to:</b>			
– Owners of the Company		<b>73,888</b>	223,787
– Non-controlling interests		<u><b>(1,355)</b></u>	<u>9,133</u>
		<u><b>72,533</b></u>	<u>232,920</u>
<b>Earnings per share</b>			
– Basic (RMB cents)	10	<u><b>7.25</b></u>	<u>22.49</u>



# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2021*

**As at 31 December**  
**2021**                      2020  
*NOTES*      **RMB'000**              **RMB'000**

## **NON-CURRENT ASSETS**

Property, plant and equipment		<b>172,900</b>	152,812
Right-of-use assets		<b>22,215</b>	14,872
Deposits paid for acquisition of property, plant and equipment		<b>2,818</b>	5,160
Financial assets at fair value through profit or loss ("FVTPL")		<b>66,900</b>	–
Deferred tax assets		<b>54,134</b>	37,313
		<b>318,967</b>	210,157

## **CURRENT ASSETS**

Inventories		<b>340,442</b>	359,794
Trade and other receivables	11	<b>70,996</b>	102,167
Tax recoverable		<b>12,527</b>	3,802
Amounts due from related parties		<b>11,562</b>	47,739
Time deposits		<b>715,329</b>	–
Bank balances and cash		<b>1,952,827</b>	884,766
		<b>3,103,683</b>	1,398,268

## **CURRENT LIABILITIES**

Trade and other payables	12	<b>419,529</b>	411,380
Contract liabilities		<b>169,066</b>	486,752
Amounts due to related parties		<b>76,765</b>	110,222
Lease liabilities		<b>5,517</b>	1,783
Income tax payables		<b>7,122</b>	42,658
Bank borrowing		<b>–</b>	300,000
		<b>677,999</b>	1,352,795

## **NET CURRENT ASSETS**

## **TOTAL ASSETS LESS CURRENT LIABILITIES**

## **NON-CURRENT LIABILITY**

Lease liabilities		<b>9,392</b>	5,096
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## **NET ASSETS**

## **CAPITAL AND RESERVES**

Share capital		<b>2</b>	1
Reserves		<b>2,733,759</b>	247,680
Equity attributable to owners of the Company		<b>2,733,761</b>	247,681
Non-controlling interests		<b>1,498</b>	2,853
<b>TOTAL EQUITY</b>		<b>2,735,259</b>	250,534



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. GENERAL AND GROUP REORGANISATION

Cheerwin Group Limited (the “**Company**”) was incorporated as an exempted company in the Cayman Islands with limited liability on 11 April 2018 under the Companies Act, Cap. 22 of the Cayman Islands. Its immediate holding company is Cheerwin Global Limited (“**Cheerwin Global BVI**”), a company incorporated in the British Virgin Islands (the “**BVI**”) on 27 March 2018. The ultimate controlling shareholders of the Company are Mr. Chen Kaixuan (“**Mr. KX Chen**”), Ms. Li Ruohong (“**Ms. Li**”), the spouse of Mr. KX Chen, Mr. Chen Kaichen (“**Mr. KC Chen**”) and Ms. Ma Huizhen (“**Ms. Ma**”), the spouse of Mr. KC Chen (collectively referred as “**Controlling Shareholders**”). The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 March 2021.

The address of the registered office and the principal place of business of the Company in Hong Kong and the PRC are disclosed in the corporate information section of the annual report of the Company for the year ended 31 December 2021.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are manufacturing and trading of household insecticides and repellents, household cleaning, air care, personal care, pet products and other products in the PRC.

In preparation for the listing of the Company’s shares on the Stock Exchange (the “**Listing**”), the companies comprising the Group underwent a group reorganisation (the “**Group Reorganisation**”) as described below. Prior to the Group Reorganisation, the operating subsidiaries of the Group comprise:

- (a) Guangzhou Cheerwin Biotechnology Company Limited\* (廣州超威生物科技有限公司) (“**Cheerwin Biotechnology**”), a company established in the PRC;
- (b) Guangzhou Cheerwin Household Chemicals Company Limited\* (廣州超威日用化學用品有限公司) (“**Panyu Cheerwin**”), a company established in the PRC;
- (c) Anfu Cheerwin Rihua Company Limited\* (安福超威日化有限公司) (“**Anfu Cheerwin**”), a company established in the PRC;
- (d) Guangzhou Tongli Daily Supplies Company Limited\* (廣州通力日用品有限公司) (“**Guangzhou Tongli**”), a company established in the PRC;
- (e) Guangzhou Yuncheng Network Technology Company Limited\* (廣州雲成網絡科技有限公司) (“**Guangzhou Yuncheng**”), a company established in the PRC;
- (f) Guangzhou Leda Automobile Supplies Company Limited\* (廣州樂達汽車用品有限公司) (“**Leda Automobile**”), a company established in the PRC;
- (g) Shanghai Runzhisu Biotechnology Company Limited\* (上海潤之素生物科技有限公司) (“**Shanghai Runzhisu**”), a company established in the PRC;
- (h) Guangzhou Yuntuo E-commerce Company Limited\* (廣州雲拓電子商務有限公司) (“**Guangzhou Yuntuo**”), a company established in the PRC; and
- (i) Shanghai Cheerwin Biotechnology Company Limited\* (上海朝雲生物科技有限公司) (“**Shanghai Cheerwin**”), a company established in the PRC.

\* The translation of name in English is for identification purposes only.

These operating subsidiaries have been under the collective control of the Controlling Shareholders before and after the Group Reorganisation, and interests held by parties other than the Controlling Shareholders before the completion of the Group Reorganisation are presented as non-controlling interests of the Group in the consolidated financial statements.

The major steps of the Group Reorganisation include the following:

- (i) On 27 March 2018, Cheerwin Global BVI was incorporated as a limited liability company under the laws of BVI authorised to issue a maximum number of 50,000 shares of par value of United States dollars (“**USD**”) 1 each. On the same date, 65 shares and 35 shares in Cheerwin Global BVI were allotted and issued at par to Ms. Li and Ms. Ma, respectively.

- (ii) On 27 March 2018, Cheerwin Group Limited (“**Cheerwin Group BVI**”) was incorporated as a limited liability company under the laws of BVI authorised to issue a maximum number of 50,000 shares of par value of USD1 each. On the same date, 65 shares and 35 shares in Cheerwin Group BVI were allotted and issued at par to Ms. Li and Ms. Ma, respectively.
- (iii) On 13 April 2018, Cheerwin Group Limited (“**Cheerwin Group HK**”) was incorporated in Hong Kong as a limited company with an issued share capital of HK\$100 divided into 100 shares of Hong Kong dollars (“**HK\$**”) 1 each. On the same date, 65 shares and 35 shares in Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma, respectively, at a cash consideration of HK\$100.  
  
On 13 April 2018, Cheerwin Global Limited (“**Cheerwin Global HK**”) was incorporated in Hong Kong as a limited company with an issued share capital of HK\$100 divided into 100 shares of HK\$1 each. On the same date, 65 shares and 35 shares in Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma, respectively, at a cash consideration of HK\$100.
- (iv) On 11 April 2018, the Company was incorporated under the Companies Act, Cap. 22 of the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was USD50,000 divided into 50,000 shares with a par value of USD1 each. Upon incorporation, 65 shares and 35 shares in the Company were allotted and issued at par to Ms. Li and Ms. Ma, respectively.
- (v) On 19 October 2018, Guangzhou Cheerwin Holding Company Limited\* (廣州朝雲控股有限公司) (“**Guangzhou Cheerwin**”) was established under the laws of the PRC with a registered capital of RMB30,000,000 divided into 30,000,000 shares and fully paid up in cash by the Controlling Shareholders.
- (vi) On 14 November 2018 and 19 November 2018, Guangzhou Cheerwin established two wholly-owned subsidiaries, Guangzhou Yuntuo and Shanghai Runzhisu under the laws of the PRC, each with a registered capital of RMB1,000,000 divided into 1,000,000 shares.
- (vii) On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in Cheerwin Group HK to Cheerwin Group BVI at a cash consideration of HK\$100. On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in Cheerwin Group BVI to the Company at a cash consideration of USD100. Upon the completion of the transfers, Cheerwin Group HK and Cheerwin Group BVI became the wholly-owned subsidiaries of the Company.
- (viii) On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in the Company to Cheerwin Global BVI, and as a consideration, 5,850 shares and 3,150 shares in Cheerwin Global BVI were allotted and issued to Ms. Li and Ms. Ma, respectively.
- (ix) On 27 March 2019, Cheerwin Global BVI further allotted and issued 650 shares and 350 shares at par to Mr. KX Chen and Mr. KC Chen, respectively. Upon completion of the above allotment and issues, Cheerwin Global BVI was held as to 58.5%, 31.5%, 6.5% and 3.5% by Ms. Li, Ms. Ma, Mr. KX Chen and Mr. KC Chen, respectively.
- (x) On 16 May 2019, the Controlling Shareholders transferred 5% of equity interest in Guangzhou Cheerwin to Bestart (Hong Kong) Investments Company Limited (“**Bestart HK**”), a company incorporated in Hong Kong and wholly owned by Mr. Mao Mao (“**Mr. Mao**”), who is independent to the Group, at a cash consideration of RMB1,500,000.
- (xi) On 29 July 2019, Guangzhou Cheerwin established a wholly-owned subsidiary, Shanghai Cheerwin under the laws of the PRC with a registered capital of RMB5,000,000, divided into 5,000,000 shares.
- (xii) On 7 November 2019, Guangzhou Cheerwin acquired the entire equity interests in Cheerwin Biotechnology from the Controlling Shareholders for a cash consideration of RMB7,801,000.
- (xiii) On 27 November 2019, Guangzhou Cheerwin acquired the entire equity interests in Guangzhou Tongli, Guangzhou Yuncheng and Leda Automobile from Cheerwin Biotechnology for an aggregate cash consideration of RMB1,830,000.
- (xiv) On 10 December 2019, Cheerwin Biotechnology acquired 52% of equity interest in Panyu Cheerwin from a company and a limited partnership owned and controlled by the Controlling Shareholders for a cash consideration of RMB18,046,000.
- (xv) On 31 December 2019, Cheerwin Biotechnology acquired the entire equity interest in Anfu Cheerwin from the Controlling Shareholders and a company controlled by the Controlling Shareholders for an aggregate cash consideration of RMB53,677,000.
- (xvi) On 24 June 2020, Cheerwin Group HK acquired 95% of equity interest in Guangzhou Cheerwin from the Controlling Shareholders for a cash consideration of RMB29,370,000.

- (xvii) On 24 June 2020, Cheerwin Group HK acquired the remaining 5% of equity interest in Guangzhou Cheerwin from Bestart HK for a cash consideration of RMB1,550,000. Upon the completion of the acquisition, Guangzhou Cheerwin and its wholly-owned subsidiaries became the wholly-owned subsidiaries of the Company.
- (xviii) On 24 June 2020, the Company further allotted and issued 100 shares, among 98 shares were allotted and issued at par to Cheerwin Global BVI and 2 shares were allotted and issued to Bestart International Holdings Limited, a company incorporated in the BVI and wholly owned by Mr. Mao at a cash consideration of RMB1,550,000. Upon the completion of the above allotment and issues, the Company was held as to 99% and 1% by Cheerwin Global BVI and Bestart BVI, respectively.
- (xix) On 26 June 2020, Cheerwin Group HK acquired the entire equity interests in Cheerwin Global HK from the Controlling Shareholders for a cash consideration of HK\$100.

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Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 26 June 2020. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity, as the Company and its subsidiaries have been under the collective control of the Controlling Shareholders before and after the Group Reorganisation, or since their respective dates of incorporation/establishment/acquisition by the Company, where is a shorter period. Accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

## New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021 <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs Standards	Annual Improvements to IFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the “**Conceptual Framework**”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## Amendments to IFRSs Annual Improvements to IFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

### IFRS 9 *Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

### IFRS 16 *Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### 3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the manufacturing and trading of household insecticides and repellents, household cleaning, air care, personal care, pet products and other products in the PRC.

#### (i) Disaggregation of revenue

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue by types of products		
Household care ( <i>Note i</i> )	1,608,309	1,560,527
Personal care	100,817	108,427
Pet products	52,662	22,039
Others ( <i>Note ii</i> )	7,369	11,161
	<u>1,769,157</u>	<u>1,702,154</u>
Total	<u>1,769,157</u>	<u>1,702,154</u>
Timing of revenue recognition at a point in time	<u>1,769,157</u>	<u>1,702,154</u>

*Note:*

- (i) Household care included household insecticides and repellents, household cleaning and air care products.
  - (ii) Others included numerous household supplies, appliances and other products and none of them accounted for a material portion individually.
- (ii) **Transaction price allocated to the remaining performance obligation for contracts with customers**

As at 31 December 2021, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB169,066,000 (2020: RMB486,572,000). The amounts were equivalent to the contract liabilities as at 31 December 2021 and 2020, which represented payments received from customers by the Group while the underlying goods are yet to be delivered.

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 31 December 2021 and 2020 will be recognised as revenue within next twelve months.

#### (iii) Segment information

Revenue and operating result of the Group are reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 3. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

#### (iv) Geographic information

The Group principally operates in the PRC, which is also the place of domicile. The Group's revenue is almost all derived from operations in the PRC and the Group's non-current assets are all located in the PRC.

(v) **Information about major customers**

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A ( <i>Note</i> )	<u>270,427</u>	<u>358,119</u>

*Note:* Customer A represented a group of entities under common control of the Controlling Shareholders. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective years.

**4. OTHER INCOME**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants ( <i>Note</i> )	37,993	28,292
Bank interest income	19,613	4,674
Investment income from financial assets at FVTPL	6,792	5,325
Others	<u>1,085</u>	<u>1,535</u>
	<u>65,483</u>	<u>39,826</u>

*Note:* The amount represented subsidy income received from certain government authorities in the PRC for the purpose of giving immediate financial support to the Group with no future obligations.

**5. OTHER GAINS AND LOSSES**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Losses on disposal/write-off of property, plant and equipment	(3)	(13)
Donations ( <i>Note</i> )	(2,960)	(18,454)
Foreign exchange (loss) gain, net	<u>(12,934)</u>	<u>713</u>
	<u>(15,897)</u>	<u>(17,754)</u>

*Note:* During the year ended 31 December 2021, the Group made a donation of disinfectant and relevant anti-epidemic products with carrying value of RMB2,960,000 (2020: RMB18,454,000) to donees and charity organisations in the PRC.

**6. FINANCE COSTS**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense on lease liabilities	801	399
Interest expense on bank borrowing	<u>812</u>	<u>2,246</u>
	<u>1,613</u>	<u>2,645</u>

## 7. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”):		
Current tax	47,695	68,707
Overprovision in prior year	(1,350)	—
	<u>46,345</u>	<u>68,707</u>
Deferred tax	(16,821)	(8,284)
	<u>29,524</u>	<u>60,423</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 of the Cayman Islands and is exempted from the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for both years, except for those described below.

Anfu Cheerwin has been qualified as a New and Hi-Tech Enterprise and entitled to a preferential tax rate of 15% from 2019 to 2021 granted by the local tax authority.

## 8. PROFIT FOR THE YEAR

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors’ emoluments	18,811	4,522
Other staff costs:		
Salaries and other allowances	137,899	115,815
Contributions to retirement benefits scheme	7,584	3,237
Share-based payment expenses	1,695	—
	<u>165,989</u>	<u>123,574</u>
Total staff costs		
	<u>165,989</u>	<u>123,574</u>
Depreciation of property, plant and equipment	24,859	11,685
Depreciation of right-of-use assets	5,692	3,234
	<u>30,551</u>	<u>14,919</u>
Total depreciation		
Less: capitalised in inventories	(5,013)	(3,750)
	<u>25,538</u>	<u>11,169</u>
Auditors’ remuneration	3,087	375
Cost of inventories recognised as an expense	984,321	958,301
	<u>984,321</u>	<u>958,301</u>

## 9. DIVIDENDS

During the current year, a final dividend of RMB0.044 per ordinary share (equivalent to HK\$0.0524 per ordinary share) in respect of the year ended 31 December 2020 was declared and paid to owners of the company (2020: nil). The aggregate amount of the final dividend declared and paid in the current year amounted to approximately RMB58,667,000 (2020: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB0.0553 per ordinary share (equivalent to HK\$0.0680 per ordinary share), in an aggregate amount of RMB73,733,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.



## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<b>92,093</b>	223,781
	<b>No. of Shares</b>	No. of Shares
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,270,320</b>	995,219

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the Group Reorganisation and share subdivision had been effective on 1 January 2020.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares since the grant date of those share options during the year ended 31 December 2021.

No diluted earnings per share was presented for the year ended 31 December 2020 as there was no dilutive potential ordinary shares outstanding as at 31 December 2020 and during the year ended 31 December 2020.

## 11. TRADE AND OTHER RECEIVABLES

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	<b>6,663</b>	18,675
Less: Allowance for credit losses	<b>(546)</b>	(2,799)
	<b>6,117</b>	15,876
Prepayments for purchase of raw materials	<b>9,434</b>	13,272
Prepaid promotion service expenses	<b>6,630</b>	2,897
Other tax recoverables	<b>32,027</b>	39,809
Deferred issue costs	<b>–</b>	11,660
Receivables from payment intermediaries (Note a)	<b>1,268</b>	603
Other receivables (Note b)	<b>15,520</b>	18,050
	<b>70,996</b>	102,167

Note:

- (a) Receivables from payment intermediaries represent the sales received by Alipay, Jingdong and other payment on behalf of the Group for the online platform sales. The balance will be transferred back to the bank accounts of the Group upon the Group's instruction.
- (b) Other receivables represent advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and repayable in 12 months.

### Trade receivables

As at 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB7,166,000.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed regularly.

The Group generally requires advance payments from majority of its customers before delivery of goods. For certain customers, the Group allows credit terms of 5 to 60 days from the invoice date for trade receivables.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 30 days	<b>4,460</b>	8,678
31 – 60 days	<b>1,657</b>	4,585
61 – 90 days	<b>–</b>	2,613
	<b>6,117</b>	<b>15,876</b>

## 12. TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables	<b>216,133</b>	221,238
Accrued sales rebates ( <i>Note</i> )	<b>127,087</b>	96,362
Other accrued expenses	<b>24,626</b>	28,483
Accrued staff payroll and welfare	<b>30,279</b>	29,758
Construction costs payables	<b>1,283</b>	8,097
Other tax payables	<b>11,573</b>	6,560
Other payables	<b>2,653</b>	3,305
Accrued issued costs and listing expenses	<b>5,895</b>	17,577
	<b>419,529</b>	<b>411,380</b>

*Note:* The accrued sales rebates will be mainly settled through offsetting future sales orders, at the discretion of the Group's customers.

### Trade payables

The credit period of trade payables is normally within 20 to 60 days from the invoice date.

The following is an aged analysis of trade payables, presented based on the invoice date at the end of each reporting period:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 30 days	<b>123,941</b>	126,308
31 - 60 days	<b>55,125</b>	85,494
61 - 90 days	<b>19,456</b>	6,754
Over 90 days	<b>17,611</b>	2,682
	<b>216,133</b>	<b>221,238</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### Revenue

The Group derived its revenue primarily from the sales of (i) household care products; (ii) personal care products; (iii) pet products; and (iv) others to customers through our omni-channel sales and distribution network. Our revenue is stated net of allowances for returns, sales discounts, rebates and value-added tax.

Our revenue increased by 3.9% from RMB1,702.2 million for the year ended 31 December 2020 to RMB1,769.2 million for the year ended 31 December 2021. The increase in our revenue was primarily due to (i) an increase of RMB132.3 million in the revenue generated from sales through our online channels as we continue to expand and develop our self-operated online stores and developed a new sales channel, i.e. the community e-commerce platforms; (ii) an increase of RMB30.6 million in the revenue generated from the sales of pet products due to our successful launch of the deodorisation and sterilisation products, cat litter products, and a pet food product line with a higher gross profit margin; and (iii) an increase of RMB117.8 million in the revenue generated from the sales of household insecticides and repellents products due to our continuing efforts in developing and optimising the omni-channels sales of such products.

#### Revenue by product categories

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Household care	<b>1,608,309</b>	<b>90.9</b>	1,560,527	91.6
Personal Care	<b>100,817</b>	<b>5.7</b>	108,427	6.4
Pet Products	<b>52,662</b>	<b>3.0</b>	22,039	1.3
Others <sup>(1)</sup>	<b>7,369</b>	<b>0.4</b>	11,161	0.7
<b>Total</b>	<b><u>1,769,157</u></b>	<b><u>100.0</u></b>	<b><u>1,702,154</u></b>	<b><u>100.0</u></b>

Note:

- (1) Others included numerous household supplies, appliances and other products and none of them accounted for a material portion individually.

Our revenue from household care products increased by 3.1% from RMB1,560.5 million for the year ended 31 December 2020 to RMB1,608.3 million for the year ended 31 December 2021, primarily due to (i) our continuous introduction of new products and product mix improvement to offer upgraded products; (ii) our strategy to develop and optimize our omni-channels, especially online channels; and (iii) the increase in revenue generated from household insecticides and repellents products.

Our revenue from personal care products decreased by 7.0% from RMB108.4 million for the year ended 31 December 2020 to RMB100.8 million for the year ended 31 December 2021, primarily due to in 2021, competitors in the market sought to increase their market shares by adopting low price strategy, while our Company did not participate in the price competition taking into consideration that such low price competition is not in line with our long-term interest.

Our revenue from pet products increased significantly from RMB22.0 million for the year ended 31 December 2020 to RMB52.7 million for the year ended 31 December 2021, primarily due to (i) the successful launch of a popular series of pet deodorisation and sterilisation products and cat litter products; (ii) the growing popularity and market acceptance of our pet products; and (iii) our continuous efforts to optimize and expand the product offerings. Revenue from other products decreased by 34.0% from RMB11.2 million for the year ended 31 December 2020 to RMB7.4 million for the year ended 31 December 2021 as our overseas import business was negatively affected by the COVID-19 pandemic.

### ***Revenue by sales channels***

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Offline Distributors	<b>1,064,190</b>	<b>60.2</b>	1,045,866	61.5
Online Channels	<b>426,618</b>	<b>24.1</b>	294,282	17.3
– Online Distributors	<b>128,952</b>	<b>7.3</b>	110,202	6.5
– Self-operated Online Stores	<b>259,692</b>	<b>14.7</b>	184,080	10.8
– Community e-commerce platforms	<b>37,974</b>	<b>2.1</b>	–	–
Corporate and Institutional Customers	<b>6,483</b>	<b>0.4</b>	3,403	0.2
Overseas Distributors	<b>1,088</b>	<b>0.1</b>	484	0.0
Retail Channel (Liby Channel) <sup>(1)</sup>	<b>270,426</b>	<b>15.2</b>	358,119	21.0
OEM business	<b>352</b>	<b>0.0</b>	–	–
<b>Total</b>	<b><u>1,769,157</u></b>	<b><u>100.0</u></b>	<b><u>1,702,154</u></b>	<b><u>100.0</u></b>

*Note:*

- (1) Primarily included sales to key accounts and certain overseas distributors and corporate and institutional customers through Guangzhou Liby Group Company Limited and its subsidiaries (the “**Liby Group**”).

As of 31 December 2021, our sales and distribution network primarily consisted of (i) an offline network of more than 1,149 distributors; (ii) 49 key account clients, including operators of national and regional hypermarkets, supermarkets, department stores and convenience stores through Liby Group; and (iii) online channels, including sales to consumers through our 18 self-operated online stores on major e-commerce platforms, such as Tmall, sales to a network of online third party distributors and sales to customers through community e-commerce platforms, such as Xingsheng Youxuan (興盛優選).

Revenue from offline distributors increased by 1.8% from RMB1,045.9 million for the year ended 31 December 2020 to RMB1,064.2 million for the year ended 31 December 2021 as we continue to expand our distribution network.

Revenue from online channels increased by 45.0% from RMB294.3 million for the year ended 31 December 2020 to RMB426.6 million for the year ended 31 December 2021, primarily due to (i) our continuing efforts in expanding and developing self-operated online stores, the revenue from which increased by 41.1% from RMB184.1 million to RMB259.7 million over the same period; and (ii) an increase of RMB38.0 million in the revenue generated from our newly developed sales channel, i.e. the community e-commerce platforms.

Revenue from corporate and institutional customers increased by 90.5% from RMB3.4 million for the year ended 31 December 2020 to RMB6.5 million for the year ended 31 December 2021, primarily because we actively explored new business opportunities with corporate and institutional customers. Revenue from overseas distributors increased by 124.8% from RMB0.5 million for the year ended 31 December 2020 to RMB1.1 million for the year ended 31 December 2021, primarily because in 2021, we actively explored new business opportunities with overseas customers and strived to further develop our overseas channel. In 2021, We further developed our OEM business, the revenue from which reached RMB352,000 for the year ended 31 December 2021.

Revenue from the retail channel (Liby channel) decreased by 24.5% from RMB358.1 million for the year ended 31 December 2020 to RMB270.4 million for the year ended 31 December 2021, primarily due to (i) the decline trend of the traditional retail market in 2021; and (ii) in 2021, there was a price war in certain household cleaning products market, while our Company decided not to participate in such short-term market competition.

## Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 6.0% from RMB742.6 million for the year ended 31 December 2020 to RMB787.4 million for the year ended 31 December 2021. Our overall gross profit margin remained relatively stable at 43.6% and 44.5% for the year ended 31 December 2020 and 2021, respectively.

### *Gross profit and gross profit margin by product categories*

	Year ended 31 December			
	2021		2020	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Household Care	705,717	43.9	692,272	44.4
Personal Care	48,523	48.1	36,707	33.9
Pet Products	30,570	58.0	12,003	54.5
Others <sup>(1)</sup>	2,616	35.5	1,600	14.3
<b>Total</b>	<b>787,426</b>	<b>44.5</b>	<b>742,582</b>	<b>43.6</b>

*Note:*

- (1) Others included household supplies, appliances and other products and none of them accounted for a material portion individually.

With respect to product categories, gross profit margin of our household care products decreased from 44.4% for year ended 31 December 2020 to 43.9% for the year ended 31 December 2021, primarily due to the ever increasing cost of raw materials since the outbreak of COVID-19 pandemic till 2021. Gross profit margin of our personal care products increased from 33.9% for the year ended 31 December 2020 to 48.1% for the year ended 31 December 2021, mainly due to our efforts in the optimisation of product category structure and investment in the market. Gross profit margin of pet products increased from 54.5% to 58.0% during the same periods, primarily due to the increase in the revenue by 138.9% generated from sales of such products over the same period due to the enrichment of products categories and the launch of a pet food product line.

## Gross profit and gross profit margin by sales channels

	Year ended 31 December			
	2021		2020	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Offline Distributors	451,227	42.4	439,785	42.0
Online Channels	221,097	51.8	151,741	51.6
– Online Distributors	52,702	40.9	53,151	48.2
– Self-operated Online Stores	155,692	60.0	98,590	53.6
– Community e-commerce platforms	12,703	33.5	–	–
Corporate and Institutional Customers	3,274	50.5	2,011	59.1
Overseas Distributors	237	21.8	275	56.7
Retail Channel (Liby Channel) <sup>(1)</sup>	111,462	41.2	148,770	41.5
OEM business	129	36.6	–	–
<b>Total</b>	<b>787,426</b>	<b>44.5</b>	<b>742,582</b>	<b>43.6</b>

Note:

- (1) Primarily included sales to key accounts and certain overseas distributors and corporate and institutional customers through Liby Group.

With respect to sales channels, gross profit of offline distributors increased by RMB11.4 million from the year ended 31 December 2020 to the year ended 31 December 2021, primarily due to our efforts in the optimisation of product category structure in 2021. Gross profit and gross profit margin of online channels increased from the year ended 31 December 2020 to the year ended 31 December 2021, mainly due to the increase in revenue from this channel and the optimisation of product category structure. Gross profit margin of overseas distributors decreased from 56.7% for the year ended 31 December 2020 to 21.8% for the year ended 31 December 2021 as our promotion policy adjustment was negatively affected by the COVID-19 pandemic. Over the same period, gross profit of the retail channel (Liby channel) decreased, primarily due to the decrease in revenue from this sales channel. Gross profit margin of the retail channel (Liby channel) remained relatively stable at 41.5% and 41.2% for the year ended 31 December 2020 and 2021, respectively. Our Company further developed the OEM business in 2021, the gross profit margin of which reached 36.6% for the year ended 31 December 2021.

## Other Income

Our other income increased by 64.4% from RMB39.8 million for the year ended 31 December 2020 to RMB65.5 million for the year ended 31 December 2021. Our other income as a percentage of our total revenue increased from 2.3% for the year ended 31 December 2020 to 3.7% for the year ended 31 December 2021.



## **Selling and Distribution Expenses**

Our selling and distribution expenses increased by 41.5% from RMB372.0 million for the year ended 31 December 2020 to RMB526.4 million for the year ended 31 December 2021.

## **Administrative Expenses**

Our administrative expenses increased by 111.6% from RMB84.6 million for the year ended 31 December 2020 to RMB179.0 million for the year ended 31 December 2021, primarily due to the increase in wages and salaries as a result of an increase in the number of our administrative personnel, which is in line with the growth of our business.

## **Other Gains and Losses**

We recorded other losses of RMB15.9 million for the year ended 31 December 2021, compared to other losses of RMB17.8 million for 2020, primarily related to our donation of disinfectant and other anti-epidemic products in relation to the outbreak of COVID-19.

## **Finance Costs**

Our finance costs decreased from RMB2.6 million for the year ended 31 December 2020 to RMB1.6 million for the year ended 31 December 2021 as our loan for the prevention of the COVID-19 pandemic decreased in 2021.

## **Profit Before Tax**

As a result of the foregoing, our profit before income tax decreased by 59.0% from RMB293.3 million for the year ended 31 December 2020 to RMB120.3 million for the year ended 31 December 2021.

## **Income Tax Expense**

Our income tax expense decreased by 51.1% from RMB60.4 million for the year ended 31 December 2020 to RMB29.5 million for the year ended 31 December 2021 due to decrease in our net profit. Our effective tax rate remained relatively stable at 20.6% and 24.5%, respectively, for the year ended 31 December 2020 and 2021, which are lower than the PRC statutory income tax rate of 25% primarily because one of our subsidiary enjoyed a preferential income tax rate of 15% since 2019 and is a qualified high-tech enterprise.

## Profit for the Year

As a result of the foregoing, our profit for the year decreased by 61.0% from RMB232.9 million for the year ended 31 December 2020 to RMB90.8 million for the year ended 31 December 2021. Our net profit margin decreased from 13.7% for the year ended 31 December 2020 to 5.1% for the year ended 31 December 2021.

## Non-IFRS Measures: Adjusted Net Profit

Adjusted net profit, as we present it, represents profit and total comprehensive income for the period before one-time charity donations and listing expenses. Adjusted net profit is not a standard measure under IFRSs. We believe that adjusted net profit helps identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit through eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, such as certain impacts of our one-time charity donations and listing expenses. We believe that adjusted net profit provides useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

While adjusted net profit provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit has certain limitations because it does not reflect all items of income and expense that affect our operations. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our results.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to adjusted net profit is profit for the year or period. The following table reconciles profit for the years under IFRSs to adjusted net profit for the years indicated:

	For the year ended 31 December			
	2018	2019	2020	2021
				<i>RMB'000</i>
Profit for the year	177,035	184,360	232,909	<b>90,765</b>
Adjustments for:				
One-time charity donations	—	—	18,454	<b>2,960</b>
Listing expenses	11,421	13,300	10,260	<b>10,030</b>
Adjusted net profit	<u>188,456</u>	<u>197,660</u>	<u>261,623</u>	<u><b>103,755</b></u>

Adjusted net profit should not be considered in isolation or construed as a substitute for analysis of IFRSs financial measures, such as operating profit or profit for the year or period. In addition, because adjusted net profit may not be calculated in the same manner by all companies, our adjusted net profit may not be comparable to the same or similarly titled measures presented by other companies.

## **Operating Cash Flows**

Net operating cash outflow for the year ended 31 December 2021 was RMB191.9 million, as compared to net operating cash inflow of RMB382.7 million for the year ended 31 December 2020, resulting from our profit before taxation of RMB120.3 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid. Our movements in working capital primarily reflected (i) a decrease in contract liabilities of RMB317.7 million as a result of the seasonal concentration of customer prepayments; (ii) an increase of RMB20.1 million in trade and other payables; and (iii) a decrease in amounts due from related parties of RMB36.2 million which was primarily due to the shorten turnover days of receivables from Liby Group.

## **Capital Expenditures**

Our capital expenditures increased from RMB30.5 million in 2020 to RMB58.0 million for the year ended 31 December 2021 primarily represented construction of our new plant. Our capital expenditures were used primarily for purchase of items of property, plant and equipment and right-of-use assets. We financed our capital expenditures primarily through our cash generated from our operating activities.

## **Financial Position**

Historically, we funded our operations primarily with net cash generated from our business operations. After the global offering of the Company (the “**Global Offering**”), we intend to finance our future capital requirements through the same sources of funds above, together with the net proceeds we received from the Global Offering.

As of 31 December 2021, we had RMB2,668.2 million in cash, cash equivalents and time deposit, most of which were denominated in RMB. Our cash and cash equivalents primarily consist of cash on hand and bank balances.

## **Gearing Ratio**

The gearing ratio decreased from 122.5% as of 31 December 2020 to 0.5% as of 31 December 2021, as we received the proceeds from the Global Offering in March 2021.

## **Significant Investments Held**

For the year ended 31 December 2021, the Group did not hold any significant investments.

## **Funding and Treasury Policy**

The Group adopts a stable approach on its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal 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.

## **Material Acquisitions and Future Plans for Major Investment**

During the year ended 31 December 2021, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 26 February 2021 (the “**Prospectus**”), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

## **Exposure to Fluctuations in Exchange Rates**

The Group operates mainly in China with most of its transactions settled in RMB. However, the Group is exposed to foreign exchange risk arising mainly from deposit denominated in USD and Hong Kong dollars. The Group closely monitors the exchange rate fluctuations and reviews its foreign exchange risk management strategies from time to time. The Board may consider hedging foreign exchange exposures where appropriate in order to minimize its foreign exchange risk.

## **Pledge of Assets**

The Group did not have any pledged assets as at 31 December 2020 and 2021.

## **Contingent Liabilities**

As at 31 December 2021, the Group had no significant contingent liabilities.

## **Human Resources**

As at 31 December 2021, the number of employees of the Group was 873 as compared to 823 as at 31 December 2020. The total cost of staff, including basic salary and wages, social insurance and bonus, for the year ended 31 December 2021 was RMB166.0 million as compared to RMB123.6 million in 2020. The increase was mainly due to (i) the improved organization function and responsibilities and business growth; and (ii) the Group adjusted the employee bonus policy for certain employees.

## OTHER INFORMATION

### USE OF NET PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the “**Shares**”) were listed on the Stock Exchange on 10 March 2021 (the “**Listing Date**”). The Company received net proceeds (after deduction of the underwriting commissions and related costs and expenses) from the Global Offering of approximately RMB2,418.8 million (equivalent to approximately HK\$2,883.8 million). The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Actual net amount utilised for the year ended 31 December 2021 (RMB million)	Actual net amount utilised up to 31 December 2021 (RMB million)	Unutilised net amount as at 31 December 2021 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Research and development of new products, upgrade of existing products and development of new brands and categories	7.1%	171.8	17.1	17.1	154.7	Expected to be fully utilised by the end of 2026
Facilitate the construction and upgrade of relevant research and development centers and support their research activities	10.2%	246.7	–	–	246.7	Expected to be fully utilised by the end of 2026
Motive existing research personnel and recruit additional experienced and talented personnel for our research and development team	2.7%	65.3	–	–	65.3	Expected to be fully utilised by the end of 2026
Further develop online distribution channels	10.0%	241.9	27.4	27.4	214.5	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	10.0	10.0	110.9	Expected to be fully utilised by the end of 2026
Establish and optimise our overseas online and offline sales network and develop new markets	5.0%	120.9	–	–	120.9	Expected to be fully utilised by the end of 2026
Enhance our market penetration in lower-tier cities	5.0%	120.9	8.0	8.0	112.9	Expected to be fully utilised by the end of 2026
Invest in online brand marketing activities to enhance brand and product awareness and educate customers	10.0%	241.9	35.3	35.3	206.6	Expected to be fully utilised by the end of 2026
Establish overseas supply chain to improve our cost advantage for our overseas operations	1.5%	36.3	–	–	36.3	Expected to be fully utilised by the end of 2026

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Actual net amount utilised for the year ended 31 December 2021 (RMB million)	Actual net amount utilised up to 31 December 2021 (RMB million)	Unutilised net amount as at 31 December 2021 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Upgrade our existing production facilities and existing production lines at our Anfu and Panyu plants, and to establish new production lines to increase production capacity and efficiency	1.5%	36.3	–	–	36.3	Expected to be fully utilised by the end of 2026
Establish a supply chain base in Shanghai which include a warehouse and a logistic center and offices	7.0%	169.3	–	–	169.3	Expected to be fully utilised by the end of 2026
Deepen our digitalisation strategy, enhance information technology infrastructure, and further develop our technology and data-driven middle-office for our supply chain management, consumer community and proprietary platform operation and distribution channel management to improve operating efficiency	10.0%	241.9	3.4	3.4	238.5	Expected to be fully utilised by the end of 2026
Strategic acquisitions of upstream and downstream businesses to acquire external high-quality, complementary technologies, brands and businesses	15.0%	362.8	66.9	66.9	295.9	Expected to be fully utilised by the end of 2026
Working capital and other general corporate purposes	10.0%	241.9	–	–	241.9	Expected to be fully utilised by the end of 2026
<b>Total</b>	<b>100.0%</b>	<b>2,418.8</b>	<b>168.1</b>	<b>168.1</b>	<b>2,250.7</b>	

As at 31 December 2021, the remaining proceeds of approximately RMB2,250.7 million (equivalent to approximately HK\$2,752.8 million) will continue to be used in accordance with the purposes as set out in the Prospectus and follow the expected implementation timetable as disclosed in the Prospectus. Most of the unutilised net proceeds were placed in licensed banks in Hong Kong as at 31 December 2021.

## FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0553 per ordinary share (equivalent to HK\$0.0680 per ordinary share) for the year ended 31 December 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 Monday, 6 June 2022, and will be paid on or around Friday, 24 June 2022 to those Shareholders whose names appear on the Company’s register of members on Friday, 10 June 2022.

The proposed final dividend shall be declared in RMB and paid in HK\$. The final dividend payable in HK\$ will be converted from RMB at the average central parity rate of RMB to HK\$ as announced by the People’s Bank of China for the period from Monday, 21 March 2022 to Friday, 25 March 2022.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 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 Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 30 May 2022.

The register of members of the Company will also be closed on Friday, 10 June 2022 in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders in the AGM), during which period no share transfers will be registered. To qualify for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 9 June 2022.

## 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 (the "**Listing Rules**"), as its own code of corporate governance.

During the period from the Listing Date to 31 December 2021, 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.

Under code provision C.2.1 of the CG Code, which requires the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and president and the responsibility of both chairman and chief executive officer vest in Ms. Chen Danxia. The Board believes that vesting the responsibilities of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of seven Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the 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 to 31 December 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES**

During the period from the Listing Date to 31 December 2021, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## **PUBLIC FLOAT**

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this announcement. The Company maintained the minimum level of public float of 25% of its total issued share capital.

## **EVENTS AFTER THE PERIOD**

As at the date of this announcement, there was no important event affecting the Group which occurred after the end of 31 December 2021.

## **AUDIT COMMITTEE**

The Board has established the audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely, Mr. Chan Wan Tsun Adrian Alan (Chairman), Dr. De-Chao Michael Yu and Mr. Guo Sheng, and one non-executive Director, namely Mr. Chen Zexing. 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 31 December 2021.

## **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 31 December 2021 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.cheerwin.com](http://www.cheerwin.com). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched 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  
**Cheerwin Group Limited**  
**Chen Danxia**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 28 March 2022

*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.*