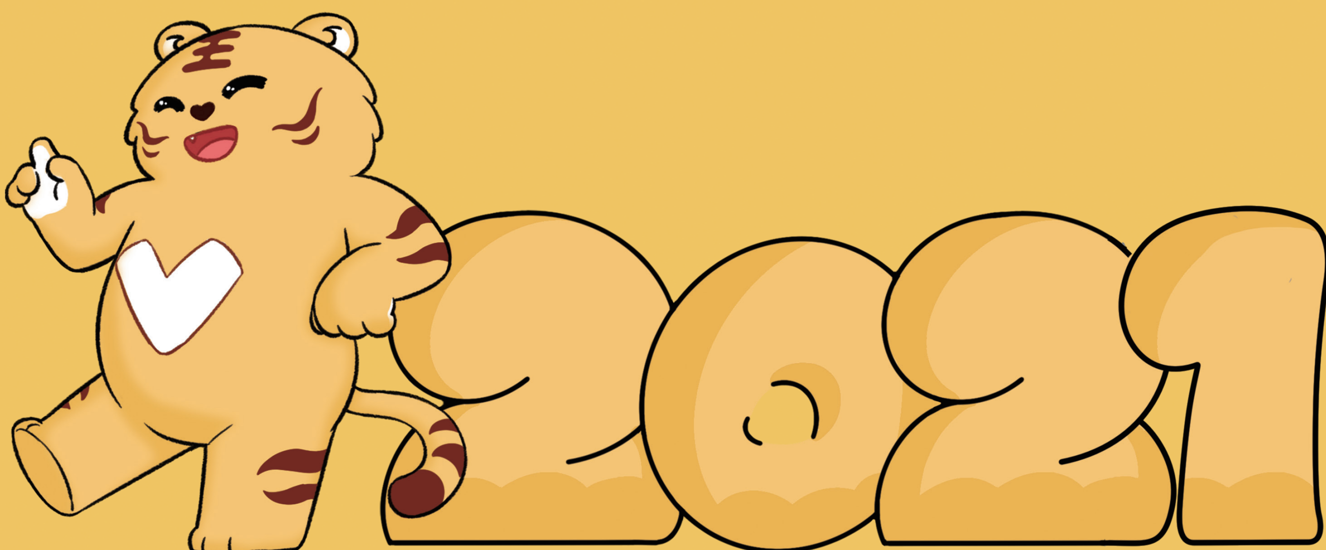
CHEERWIN

朝雲集團有限公司

Cheerwin Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code：6601



2021 ANNUAL REPORT

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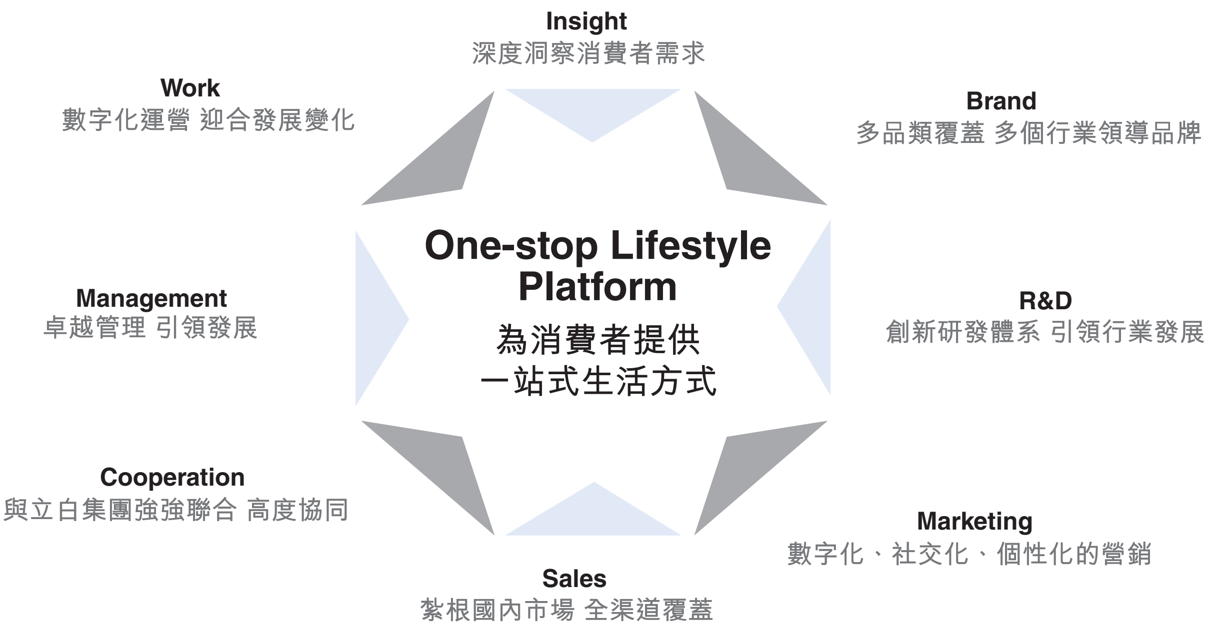
COMPANY INTRODUCTION

Cheerwin Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**" or "**we**" or "**our**") are a leading one-stop multi-category household care, pet product and personal care platform in China, developing and manufacturing a variety of household care, pet and personal care products. We have quickly established leading positions in various sub-categories of personal care and pet product categories.

We are committed to providing consumers with a one-stop lifestyle offering through our focus on the eight pillars to underpin our organisational, operational and business structures, which we believe have delivered our success to date. The eight pillars are Insight, Brand, R&D, Marketing, Sales, Cooperation, Management and Work, under which we operate a fully integrated business process in delivering a one-stop lifestyle offering, from consumer and market research, research and development, procurement and production, to sales and marketing.



Our success to date has been driven by our ability to create new products and expand into new categories that meet consumer needs. We have successfully launched ten categories, covering household care, pet and personal care product, among which our pet product category is developing rapidly. We provide consumers with one-stop comprehensive household care, pet product and personal care product offerings, mainly under eight core brands, namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Naughty Buddy (倔強尾巴), Naughty Mouth (倔強嘴巴), Cyrin (西蘭), Rikiso (潤之素) and Dux (德是), each targeting different aspects of household care demands and specific consumer segments.

We believe that our multi-brand and multi-category strategy, popular household care, pet product and personal care brands, attractive product offerings, together with our omni-channel distribution network have laid a solid foundation for our leading market position and we are best positioned to seize the opportunities of the expected strong growth in the consumer goods industry in the future. We are committed to continuing to upgrade our products and making life easier to consumers by providing them with safer and more convenient products that are available anywhere they want.

BOARD OF DIRECTORS

Executive Directors

Ms. Chen Danxia *(Chairman and Chief Executive Officer)*
Mr. Xie Rusong
Mr. Zhong Xuyi

Non-executive Director

Mr. Chen Zexing

Independent Non-executive Directors

Dr. De-Chao Michael Yu
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. Chan Wan Tsun Adrian Alan *(Chairman)*
Dr. De-Chao Michael Yu
Mr. Guo Sheng
Mr. Chen Zexing

REMUNERATION COMMITTEE

Mr. Guo Sheng *(Chairman)*
Dr. De-Chao Michael Yu
Ms. Chen Danxia

NOMINATION COMMITTEE

Ms. Chen Danxia *(Chairman)*
Dr. De-Chao Michael Yu
Mr. Guo Sheng

JOINT COMPANY SECRETARIES

Ms. Wang Dong
Ms. Leung Shui Bing *(ACG, HKACG)*

AUTHORISED REPRESENTATIVES

Ms. Chen Danxia
Ms. Leung Shui Bing *(ACG, HKACG)*

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

FUTEC Financial Limited
(formerly as HeungKong Capital Limited)
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

No.2, Luju Road, Liwan District
Guangzhou, Guangdong Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

Bank of China Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited

STOCK CODE

6601

COMPANY'S WEBSITE

www.cheerwin.com

LISTING DATE

10 March 2021

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenues	1,346,214	1,350,073	1,383,402	1,702,154	**1,769,157**
Gross profit	483,869	502,125	599,860	742,582	**787,426**
Profit before tax	228,634	241,562	232,216	293,332	**120,289**
Profit for the year	170,175	177,035	184,360	232,909	**90,765**
Adjusted profit for the year#	170,175	188,456	197,660	261,623	**103,755**
Earnings per share					
– Basic (RMB cents)	17.19	17.88	18.70	22.49	**7.25**

Adjusted for one-time charity donations and listing expenses.

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets					
Non-current assets	132,054	150,144	191,246	210,157	**318,967**
Current assets	1,078,459	862,361	1,034,632	1,398,268	**3,103,683**
Total assets	1,210,513	1,012,505	1,225,878	1,608,425	**3,422,650**
Equity and liabilities					
Equity attributable to owners of the Company	342,987	125,771	13,234	247,681	**2,733,761**
Non-controlling interests	–	–	696	2,853	**1,498**
Total equity	342,987	125,771	13,930	250,534	**2,735,259**
Non-current liabilities	5,618	2,833	6,880	5,096	**9,392**
Current liabilities	861,908	883,901	1,205,068	1,352,795	**677,999**
Total liabilities	867,526	886,734	1,211,948	1,357,891	**687,391**
Total equity and liabilities	1,210,513	1,012,505	1,225,878	1,608,425	**3,422,650**

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present our annual results for the year ended 31 December 2021.

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 polices 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.

Chen Danxia
Chairman and Chief Executive Officer
Hong Kong, 28 March 2022

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	
	RMB'000	%	RMB'000	%
Household care	**1,608,309**	**90.9**	1,560,527	91.6
Personal Care	**100,817**	**5.7**	108,427	6.4
Pet Products	**52,662**	**3.0**	22,039	1.3
Others[(1)]	**7,369**	**0.4**	11,161	0.7
Total	**1,769,157**	**100.0**	1,702,154	100.0

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

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[1]	**2,616**	**35.5**	1,600	14.3
Total	**787,426**	**44.5**	742,582	43.6

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)[(1)]	111,462	41.2	148,770	41.5
OEM business	129	36.6	–	–
Total	787,426	44.5	742,582	43.6

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**
		RMB'000		
Profit for the year	177,035	184,360	232,909	**90,765**
Adjustments for:				
One-time charity donations	–	–	18,454	**2,960**
Listing expenses	11,421	13,300	10,260	**10,030**
Adjusted net profit	188,456	197,660	261,623	**103,755**

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.

DIRECTORS

Ms. Chen Danxia (陳丹霞), aged 42, is an executive Director, the chairman of our Board and the Chief Executive Officer of our Company. She was appointed as the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**") in February 2021. She has more than 15 years of experience in the consumer goods industry. With her extensive experience in operation management and corporate strategic development in the consumer goods and cosmetic products industry, she is principally responsible for overseeing the overall management and business operation and formulating strategies and operational plans of our Group. Ms. Chen holds directorships and/or other positions in our major operating subsidiaries including Guangzhou Cheerwin Holding Company Limited (the "**Guangzhou Cheerwin**"), Guangzhou Cheerwin Biotechnology Company Limited (the "**Cheerwin Biotechnology**"), Guangzhou Cheerwin Household Chemicals Company Limited (the "**Panyu Cheerwin**"), Anfu Cheerwin Rihua Limited Company (the "**Anfu Cheerwin**"), Guangzhou Yuncheng Network Technology Company Limited (the "**Guangzhou Yuncheng**"), Guangzhou Leda Automobile Supplies Company Limited (the "**Leda Automobile**"), Shanghai Runzhisu Biotechnology Company Limited (the "**Shanghai Runzhisu**"), Guangzhou Tongli Daily Suppliers Company Limited (the "**Guangzhou Tongli**"), Shanghai Cheerwin Biotechnology Company Limited (the "**Shanghai Cheerwin**") and Guangzhou Yuntuo E-commerce Company Limited (the "**Guangzhou Yuntuo**").

Ms. Chen was appointed a director of Guangzhou Liby Group Company Limited (the "**Guangzhou Liby**") in January 2016, and has assumed responsibility for overseeing the overall strategic management of the Cheerwin Business Division since then. As Ms. Chen is the daughter of Mr. Chen Kaichen ("**Mr. KC Chen**") and Ms. Ma Huizhen ("**Ms. Ma**"), our Controlling Shareholders, and part of the Chen family, she occupies various non-executive roles in other companies owned by the Chen family. Details of Ms. Chen's directorships in Kysun Holdings (China) Company Limited ("**Kysun Holdings**") and Guangzhou Liby are set out in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus. Ms. Chen is the cousin of Mr. Chen Zexing, a non-executive Director.

Ms. Chen served as an independent non-executive director of Babytree Group, a maternity and child focused community platforms provider listed on the Stock Exchange (stock code: 1761), from November 2018 to June 2020. From February 2016 to February 2018, Ms. Chen served as a director in Baokai Daorong and from June 2008 to December 2013, Ms. Chen has served as the general manager at Shanghai New COGI Cosmetic Co., Ltd. ("**Shanghai Cogi**"). Ms. Chen as the chairman of Shanghai Cogi in her non-executive capacity since January 2014. Baokai Daorong and Shanghai Cogi are businesses owned by the Chen family. Ms. Chen has been a director at Ousia Australia Pty. Ltd since May 2009.

Since January 2019, Ms. Chen has been the vice president of Zhejiang Hupan Shanqi Charity Foundation (浙江省湖畔善契公益基金會) and assisted Jack Ma Foundation (馬雲公益基金會) to build the first rural boarding school model in China. She was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) of 2017 by Guangzhou Women's Federation (廣州市婦女聯合會). In July 2020, Ms. Chen was appointed as Vice President of Brand Alliance (品牌聯盟副主席) for the 25th China Beauty Expo (中國美容博覽會).

She obtained master of commerce with honors in marketing and strategic management from the University of Sydney, Australia, in October 2006. Ms. Chen was enrolled in Hupan School of Entrepreneurship, a corporate business school founded by Mr. Jack Ma, in March 2017.

Mr. Xie Rusong (謝如松), aged 55, is an executive Director and our vice president, and is primarily responsible for the overall management of our Group's supply chain and in charge of our pet products business department and overseas business department. Mr. Xie currently holds directorships and/or other positions in our major operating subsidiaries including Cheerwin Biotechnology, Panyu Cheerwin, Anfu Cheerwin, Guangzhou Yuncheng, Leda Automobile and Guangzhou Tongli.

Mr. Xie has more than 31 years of experience in the fast moving consumer goods industry including experience related to sales, brand management and supply chain. He served as the general manager of household business division of Guangzhou Liby from December 2008 to April 2018, and has been responsible for overseeing the overall management of the business division operating under Guangzhou Liby and its subsidiaries (the "**Liby Group**") prior to reorganization of the Group (the "**Cheerwin Business Division**") from December 2008. He was officially appointed as director and general manager of Cheerwin Biotechnology in December 2010. From March 2005 to December 2008, Mr. Xie served as the sales manager in Jiangsu Tongda Co., Ltd. (江蘇同大股份有限公司), a chemicals manufacturing company, responsible for managing the sales channels of the company. From February 1990 to December 2003, Mr. Xie worked at Shanghai Johnson Ltd. (上海莊臣有限公司), an international household chemicals company, for almost 14 years, where his last position was sales manager. From October 1987 to January 1990, Mr. Xie served as a production manager in Shanghai Duote Paper Co., Ltd. (上海多特紙品有限公司), a paper manufacturing company.

He obtained his master's degree in business administration from Fudan University (復旦大學), the PRC, in June 2019.

Mr. Zhong Xuyi (鍾胥易), aged 41, is an executive Director and our Chief Financial Officer, and is primarily responsible for overall management of finance and information technology of our Group and in charge of our investor relations management department. He currently holds other positions in our major operating subsidiaries including Cheerwin Biotechnology, Anfu Cheerwin and Panyu Cheerwin.

Mr. Zhong has more than 18 years of experience in the consumer goods industry. He joined the Liby Group in July 2003 and assumed responsibility for finance management of the Cheerwin Business Division in December 2010. His last position at Liby Group was deputy director of taxation and capital division. He was officially transferred to our Group in January 2018.

Mr. Zhong received his bachelor's degree in accounting from Guangdong University of Finance & Economics (廣東財經大學) (formerly known as Guangdong Commercial College (廣東商學院)), the PRC, in June 2003. He later obtained his master degree in accounting from Sun Yat-sen University (中山大學), the PRC, in June 2010. He also obtained certificate of completion of modern business administration course from Tsinghua University (清華大學), the PRC, in June 2007.

Mr. Zhong obtained the Certified Internal Auditor (國際註冊內部審計師) issued by The Institute of Internal Auditors (國際註冊內部審計師協會) in November 2010.

Mr. Chen Zexing (陳澤行), aged 32, joined our Company as a non-executive Director since August 2020 and as a member of audit committee of the Company (the "**Audit Committee**") in August 2021. He is primarily responsible for providing strategic advice and guidance on the business development of our Group. Mr. Chen is the son of Mr. Chen Kaixuan and Ms. Li Ruohong, our Controlling Shareholders, and the cousin of Ms. Chen Danxia, an executive Director.

Mr. Chen has been the president and an executive director of Kai Tai Health Pharmaceutical Chain Co., Ltd. (啟泰健康藥業連鎖有限公司) since July 2016, the chairman of Kai Tai Chinese Medicine (Holdings) Co., Ltd (啟泰藥業(集團)有限公司) since September 2018 and became an executive director and general manager at Guangzhou Sulikang Biotechnology Company Limited (廣州素力康生物科技有限公司), pharmaceutical and food product businesses owned by the Chen family in July 2017. Since December 2016, Mr. Chen has been the director of Kysun Holdings. From August 2013 to February 2016, Mr. Chen served as a retail terminal manager in Guangzhou Liby.

Mr. Chen graduated from South China Institute of Software Engineering GU (廣州大學華軟軟件學院), the PRC, with an associate degree in marketing in August 2013.

Dr. De-Chao Michael Yu (俞德超), aged 58, was appointed as an independent non-executive Director of our Company and as a member of the Audit Committee, the Remuneration Committee and Nomination Committee in February 2021. He is primarily responsible for providing independent judgment and advice to our Board. Dr. Yu has been the executive director, chief executive officer and chairman of Innovent Biologics, Inc. (信達生物製藥), a biopharmaceutical company listed on the Stock Exchange (stock code: 1801), since he founded that company in August 2011. He has been serving as an independent non-executive director in Babytree Group (寶寶樹集團), a maternity and child focused community platforms provider listed on the Stock Exchange (stock code: 1761) since June 2018.

Dr. Yu served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 300725) from December 2015 to May 2018. Previously, he had served as general manager at Chengdu Kanghong Biotech Co., Ltd. (成都康弘生物科技有限公司) from January 2006 to August 2010, prior to which he also worked at Calydon, Inc., Cell Genesys, Inc. and Applied Genetic Technology Corporation.

Dr. Yu obtained his doctor of philosophy degree in genetics from Chinese Academy of Sciences (中國科學院) in 1993 and completed his post-doctoral training in pharmaceutical chemistry in University of California, San Francisco.

Mr. Guo Sheng (郭盛), aged 50, was appointed as an independent non-executive Director of our Company and as the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee in February 2021. He is primarily responsible for providing independent judgment and advice to our Board. Since October 2010, Mr. Guo has been serving as the chief executive officer in Zhaopin Limited, a recruitment platform provider that was listed on the New York Stock Exchange (stock code: ZPIN) prior to its delisting in September 2017.

From September 2007 to July 2010, Mr. Guo served as a director and general manager in Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司), an air cargo company that was listed on the Shanghai Stock Exchange (stock code: 600270) prior to its delisting in December 2018. From September 2001 to September 2002, he served as the chief executive officer in Prosys Solutions Ltd. From September 1994 to September 2001 and from September 2002 to June 2007, Mr. Guo served in Mckinsey & Company with his last position being a partner.

Mr. Guo received double bachelor's degrees in computer and English for applied and professional use from Shanghai Jiao Tong University (上海交通大學), the PRC, in July 1994. He further received his master's degree in administration from Northwestern University, the United States, in June 1999.

Mr. Chan Wan Tsun Adrian Alan (陳弘俊), aged 43, was appointed as an independent non-executive Director of our Company and as the chairman of the Audit Committee in February 2021. He is primarily responsible for providing independent judgment and advice to our Board.

Mr. Chan has been the Regional Director (Greater China) of The CFO Centre since January 2021. He has been the chief financial officer of Sun Ray Capital Investment Corporation since July 2015. He has been the chief financial officer of LabyRx Immunologic Therapeutics Limited since July 2018 and has been the chief financial officer of Lifepans Limited since August 2018. Since 21 October 2019, Mr. Chan has been appointed as an independent non-executive director of Best Linking Group Holdings Limited (stock code: 8617), the shares of which are listed on the GEM of the Stock Exchange. From November 2011 to June 2021, he was an independent non-executive director of Grand Baoxin Auto Group Limited (stock code: 1293) an automobile dealership company listed on the Main Board of the Stock Exchange. From 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Main Board of the Stock Exchange. He has over 15 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from July 2005 to November 2009. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from January 2002 to July 2005, the corporate finance department of DBS Vickers Securities from April 2000 to December 2001, and as auditor for a top-tier international accounting firm.

Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in April 2000. He has been a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants since June 2006 and November 2009, respectively.

SENIOR MANAGEMENT

Ms. Wang Dong (王冬), aged 43, is our Chief Operating Officer, general manager of our brand management center and joint company secretary of our Company. She is primarily responsible for overseeing the overall business operation and brand management of our Group. She also serves as the general manager of brand management center in Cheerwin Biotechnology. Ms. Wang has over 19 years of experience in consumer goods industry. From December 2016 to March 2019, Ms. Wang was the general manager in Megahive Media. From June 2002 to November 2016, Ms. Wang served in Guangzhou Liby with her last position being the deputy general manager of brand management center and director of media communication division. Ms. Wang assumed responsibility for brand management of the Cheerwin Business Division in July 2012. She was officially transferred to our Group in April 2019. Ms. Wang obtained her dual bachelor's degrees in packaging engineering and business administration from Wuhan Polytechnic University (武漢輕工大學) (formerly known as Wuhan Food Industry College (武漢工業學院)), the PRC, in June 2002. In 2016, Ms. Wang was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) by Guangzhou Women's Federation (廣州市婦女聯合會).

Mr. Gao Jixiang (高吉祥), aged 35, is the general manager of our marketing management center, and is primarily responsible for overseeing the marketing management of our Group. He also serves as the deputy general manager in Shanghai Runzhisu since January 2019. Mr. Gao has around 14 years of experience in consumer products industry. Prior to joining our Group, he was the director of sales channel development division in Shanghai COGI where he was responsible for operation management of Rikiso (潤之素) business, from June 2016 to December 2018. Prior to his employment with Shanghai Cogi, from July 2007 to May 2016, Mr. Gao served in Guangzhou Liby with his last position being the retail director of Eastern China region. Mr. Gao obtained his bachelor's degree in international politics from Sichuan University (四川大學), the PRC, in July 2007.

Mr. Yang Yu (楊鈺), aged 38, is the general manager of our operation management center, and is primarily responsible for overseeing human resources and operation management of our Group. He also serves as the general manager of operation management center in Cheerwin Biotechnology. Mr. Yang has over 15 years of experience in consumer goods industry. Mr. Yang previously worked in Guangzhou Liby from July 2006 to August 2018 with her last position being director of operation management division. Mr. Yang assumed responsibility of the management of finance budgeting of the Cheerwin Business Division in May 2016 before officially transferring to our Group. Mr. Yang obtained her bachelor's degree in accounting from Hunan University of Technology and Business (湖南工商大學) (formerly known as Hunan Business College (湖南商學院)), the PRC, in June 2006.

Ms. Ding Jiajia (丁嘉佳), aged 36, is the general manager of our e-commerce operation center, and is primarily responsible for overseeing the e-commerce operation of our Group. Prior to joining our Group in December 2019, Ms. Ding served in Alibaba Group Holding Limited, an e-commerce company listed on the Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock code: BABA) as an industry expert from August 2010 to November 2019. Ms. Ding obtained her bachelor's degree in animation from Zhejiang Gongshang University (浙江工商大學), the PRC, in July 2008.

Mr. Shi Xunqin (石訓勤), aged 48, is the general manager of our investment and financing center, and is primarily responsible for overseeing investment and financing related matters of our Group. From June 2018 to August 2020, Mr. Shi served as the general manager of investment and capital operation division in Kysun Holdings. From January 2015 to June 2018, Mr. Shi was the managing director in Baokai Daorong, where he was responsible for acquisition and equity investment business unit. From June 2016 to June 2018, He served as the general manager in Guangzhou Zhanze Investment Management Co., Ltd. (廣州展澤投資管理有限公司). From February 2004 to December 2014, Mr. Shi served in Guangzhou Liby with his last position being deputy general manager of financial and capital operation center. During his employment with Guangzhou Liby, Mr. Shi assumed responsibility of corporate finance matters of the Cheerwin Business Division in January 2006 before officially transferring to our Group in August 2020. Mr. Shi obtained his bachelor's degree in chemical engineering from Huaqiao University (華僑大學), the PRC, in July 1997 and obtained his master's degree in business administration from Sun Yat-sen University (中山大學), the PRC, in June 2004.

JOINT COMPANY SECRETARIES

Ms. Leung Shui Bing (梁瑞冰), is a joint company secretary of our Company. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford and a master's degree in Corporate Governance from Hong Kong Metropolitan University. She is a Chartered Secretary, Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Wang Dong (王冬), is a joint company secretary of our Company. For biographical details of Ms. Wang, please see "- Senior Management" in this section.

DIRECTORS' REPORT

The Board is pleased to announce the annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands with limited liability on 11 April 2018, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 March 2021 (the "**Listing Date**"). The Prospectus has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cheerwin.com).

PRINCIPAL BUSINESS

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2021 are set out in the Chairman's Statement on pages 5 to 9 and the Management Discussion and Analysis on pages 10 to 17 of the Annual Report.

An account of the Group's key relationships with its key stakeholders is provided in the Chairman's Statement on pages 5 to 9 of the Annual Report. An analysis of the Group's performance during the year ended 31 December 2021 using financial key performance indicators is set out in the Financial Summary on page 4 and the Management Discussion and Analysis on pages 10 to 17 of the Annual Report.

Compliance with Laws and Regulations

During the year ended 31 December 2021, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Principal Risks and Uncertainties

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

- Our business depends heavily on the strength of our brands and reputation, and consumers' recognition and their trust in our products may be materially and adversely affected if we fail to maintain and enhance our brands and reputation;

- we operate in a highly competitive industry if we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could decline;
- our business is subject to changes in consumer demand, preferences and spending patterns;
- our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful;
- our business operations may be subject to seasonality;
- our brands and products may be subject to counterfeiting imitation, and/or infringement by third parties; and
- our business operations may be subject to the uncertainty brought by the COVID-19 pandemic.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are in the process of establishing an environmental, social and governance ("**ESG**") committee (the "**ESG committee**") to oversee our ESG management. Additionally, we are in the process of forming an environmental protection, health, and safety team (the "**EHS team**") to assess and manage all ESG related matters. Our EHS team uses a number of metrics (the "**ESG metrics**") to assess potential risks, including setting an energy consumption target for each type of our products which measures the use of fuels or electricity in producing each unit of such product.

For the year ended 31 December 2021, we had not received any notice or warning in relation to pollution in respect of our operation, nor had we been subject to any fines, penalties or other legal actions by government authorities resulting from any non-compliance with any environmental protection laws or regulations that had a material adverse impact on our operations and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any environmental government authorities in respect thereof.

For details of the Company's environmental policies and performance, please refer to the ESG Report of the Company for the year ended 31 December 2021 to be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cheerwin.com) according to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the transaction amounts of the Group's five largest customers accounted for 20.5% of the Group's total revenues (2020: 24.9%), while the transaction amounts of the largest customer accounted for 15.2% of the Group's total revenues (2020: 21.0%).

For the year ended 31 December 2021, the transaction amounts of the Group's five largest suppliers accounted for 44.7% of the Group's total purchases (2020: 48.1%), while the transaction amounts of the largest supplier accounted for 17.7% of the Group's total purchases (2020: 24.2%).

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated financial statement on pages 64 to 136 of the Annual Report.

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.

DIVIDEND POLICY

Pursuant to the dividend policy adopted by the Company, the declaration of dividends is subject to the discretion of the Board, and, if necessary, the approval of the Shareholders. In considering the declaration and payment of dividends, the Board shall take into account the Group's results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by the Company, the Company's capital requirements, future business plans and prospects and any other factors that the Board may consider relevant. Any declaration and payment, as well as the amount, of any dividend will also be subject to the articles of association of the Company (the "**Articles of Association**") and all applicable laws and regulations. The Directors may reassess the dividend policy from time to time.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of the Annual Report. The summary does not form part of the audited consolidated financial statements.

BANK BORROWING

Details of the bank borrowing of the Group for the year ended 31 December 2021 are set out in note 26 to the consolidated financial statements.

USE OF PROCEEDS FROM THE LISTING

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
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

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
Strategic acquisitions of upstream and downstream businesses to acquire external high-qualify, 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
Total	**100.0%**	**2,418.8**	**168.1**	**168.1**	**2,250.7**	

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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Incentive Schemes" in this report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the year ended 31 December 2021 or subsisted as at 31 December 2021.

RESERVES

Details of movements in the reserves of the Company for the year ended 31 December 2021 are set out in note 36 to the consolidated financial statement of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have reserve available for distribution to shareholders.

Under the Cayman Company Act, the Company may make distribution to the Shareholders out of the credit standing to the share premium account of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this credit standing to the share premium account if it is, or would after the payment be, unable to pay its debts as they fall due in the ordinary course of business.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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.

DONATIONS

For the year ended 31 December 2021, RMB3.0 million (2020: RMB18.5 million) charitable donations were made by the Group.

DIRECTORS

The Directors since the Listing Date and up to date of the Annual Report are:

Executive Director

Ms. Chen Danxia *(Chairman and Chief Executive Officer)*
Mr. Xie Rusong
Mr. Zhong Xuyi

Non-Executive Director

Mr. Chen Zexing

Independent Non-Executive Directors

Dr. De-Chao Michael Yu
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

In accordance with Article 84(1) of the Articles of Association, Mr. Chen Zexing, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan, will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

The particulars of Directors who are subject to re-election at the forthcoming AGM are set out in the circular to the Shareholders of the Company dated 28 April 2022.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director a confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent as at the date of the Annual Report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 23 of the Annual Report.

CHANGES TO DIRECTORS' INFORMATION

There is no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the Company's 2021 interim report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company on 19 February 2021, and the Company has issued letters of appointment to each of the non-executive Director and independent non-executive Directors. The service contracts with each of the executive Directors is for an initial fixed term of three years. The letters of appointment with each of the non-executive Director and independent non-executive Directors is for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts and the letters of appointments may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, a service contract or letter of appointment with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors and the five highest paid individuals for the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 29 to the consolidated financial statements.

SHARE INCENTIVE SCHEMES

Share Option Scheme

On 23 July 2021, the Share Option Scheme was approved and adopted by the Shareholders. The purpose of the Share Option Scheme is to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Share Option Scheme will link the value of the Company with the interests of the share option participants, enabling the share option participants and the Company to develop together and promote the Company's corporate culture. The Board may offer to grant an option to subscribe for certain number of Shares as the Board may determine to an eligible person including Directors, senior management and core employees of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group in accordance with the terms of the Share Option Scheme.

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each participant (including both exercised, cancelled and outstanding share options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period is limited to 1% of the Shares in issue, unless otherwise separately approved by Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

The total number of Shares which may be issued upon exercise of share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the total number of the Shares in issue (i.e. 133,333,350 Shares) on the adoption date of the Share Option Scheme. Share options which have lapsed shall not be counted in calculating the 10% limit. The Company may refresh the 10% limit with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the total number of the Shares in issue as at the date of the Shareholders' approval. Share options previously granted under the Share Option Scheme and any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed. The Company may seek separate approval by Shareholders in general meeting of the Company for granting options beyond the 10% limit provided that the share options in excess of the limit are granted only to share option participants specially identified by the Company before such approval is sought. Total number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the total number of the Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

The total number of Shares which may be issued under the Share Option Scheme is 63,533,350, representing approximately 4.77% of the total number of issued Shares (i.e. 1,333,333,500 Shares) as at the date of this annual report.

Subject to any adjustments made pursuant to the terms of the Share Option Scheme, the exercise price shall be at a price determined by the Board at its absolute discretion and notified to the share option participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the offer date; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share on the offer date.

The share options granted shall be open for acceptance for a period of seven days from the date of grant. An amount of HK$1.00 is payable upon acceptance of the grant of the share options. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the Share Option Scheme was conditionally adopted. Accordingly, as at 31 December 2021, the remaining life of the Share Option Scheme is approximately 9.5 years.

Any option shall be vested on an option-holder upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/ or upon the fulfillment of the vesting conditions (as the case may be). The Board may specify the exercise period and/or the vesting schedule of the options in the grant letter, and in all circumstances all options shall automatically lapse upon the expiry of the tenth anniversary of the date of grant. During the year ended 31 December 2021, 4,800,000 share options were granted under the Share Option Scheme. Particulars of the share options granted under the Share Option Scheme are set out below:

Name of grantee	Position held with the Company/ relationship with the Company	Date of grant[1]	No. of Shares involved in the share options outstanding as at the Listing Date	Share options granted during the year ended 31 December 2021	Share options exercised during the year ended 31 December 2021	Share options cancelled during the year ended 31 December 2021	Share options lapsed during the year ended 31 December 2021	No. of Shares involved in the share options outstanding as at 31 December 2021	Exercise price[2] (HK$ per Share)	Exercise period
Ms. Wang Dong	Chief Operating Officer and Joint Company Secretary	23 September 2021	–	600,000	–	–	–	600,000	4.33	15 April 2022 – 15 April 2031
Mr. Xie Rusong	Executive Director and Vice President	23 September 2021	–	600,000	–	–	–	600,000	4.33	15 April 2022 – 15 April 2031
Mr. Zhong Xuyi	Executive Director and Chief Financial Officer	23 September 2021	–	600,000	–	–	–	600,000	4.33	15 April 2022 – 15 April 2031
Other Employees of the Group	Employees of the Group	23 September 2021	–	3,000,000	–	–	–	3,000,000	4.33	15 April 2022 – 15 April 2031
Total			**–**	**4,800,000**	**–**	**–**	**–**	**4,800,000**		

Notes:

(1) 25% of the total number of share options granted (i.e. 1,200,000 share options) shall been vested on 15 April 2022, 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2023, 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2024, and the remaining 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2025, subject to the fulfillment of the vesting conditions pursuant to the Share Option Scheme.

(2) The closing price of the securities immediately before the date on which the share options were granted was HK$4.21 per Share.

Please refer to note 28 to the consolidated financial statements for further information of the Share Option Scheme and the value of share options granted.

Restricted Share Award Scheme

The RSA Scheme was approved and adopted by the Board on 3 June 2021. Pursuant to the RSA Scheme, the Board may, from time to time, in its absolute discretion, select any individual who is a key management personnel of the Group including Directors, senior management and core employees of the Group, after taking into consideration various factors as they deem appropriate and determine the number of award shares to be granted to each of the selected participants. In determining the number of award shares for each selected participant, the Board shall take into consideration matters, including but not limited to, the selected participant's position, experience, years of service, performance and contribution to the Group and the market price of the Shares.

The purpose and objective of the RSA Scheme are (i) to realize the binding of the management team with the Shareholders and the Company's interests in the long run; (ii) to incentivize the management team to achieve the Company's performance goals, supporting the Company's rapid growth in the future; (iii) to send positive signals to the capital market and increase the market's confidence in the Company's development; and (iv) to attract external talents and enhance talent competitiveness.

The RSA Scheme shall be effective from the its adoption date and shall be in full force and effect for a term of ten years or until such date of early termination as determined by the Board, whichever is the earlier. The maximum number of award shares that may be granted under the RSA Scheme in aggregate shall be no more than 25,000,000 Shares, representing 1.87% of the total number of the issued Shares as at the date of this annual report, subject to the compliance of the Listing Rules, including, the requirement concerning the maintenance of the public float.

Details of the share awards granted under the RSA Scheme

For the purpose of the RSA Scheme, the Company will appoint two trustees 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 two trustees 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 annual report, the trustees and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The trustees shall not exercise the voting rights in respect of any Shares held under the trusts including but not limited to the restricted shares.

During the year ended 31 December 2021, a total number of 19,800,000 restricted shares, representing approximately 1.48% of the Shares in issue as at the date of this annual report, had been granted to three Directors, one senior management and five employees of the Group pursuant to the RSA Scheme. The selected participants are not required to pay any exercise price to receive the restricted shares granted under the RSA Scheme while the vesting conditions shall be fulfilled before the restricted shares can be vested. As at the date of this annual report, no restricted shares have been vested or exercised and no restricted shares have lapsed, nor has any restricted shares been cancelled.

Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or restricted shares granted under the RSA Scheme. Further details of the RSA Scheme are set out in note 28 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to Section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

Interest in Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest[4]
Chen Danxia	Beneficial owner	2,493,500 (L)	0.19%
Xie Rusong[2]	Beneficial owner	600,000 (L)	0.04%
Zhong Xuyi[3]	Beneficial owner	600,000 (L)	0.04%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Mr. Xie Rusong is interested in 600,000 underly Shares. Such underly Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the share options granted to him under the Share Option Scheme.

(3) Mr. Zhong Xuyi is interested in 600,000 underly Shares. Such underly Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the share options granted to him under the Share Option Scheme.

(4) As at 31 December 2021, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest(5)
Ms. Ma(2)	Interest in a controlled corporation/ interest of spouse	990,000,000 (L)	74.25%
Ms. Li Ruohong ("**Ms. Li**")(3)	Interest in a controlled corporation/ interest of spouse	990,000,000 (L)	74.25%
Mr. Chen Kaixuan ("**Mr. KX Chen**")(3)	Interest in a controlled corporation/ interest of spouse	990,000,000 (L)	74.25%
Mr. KC Chen(2)	Interest in a controlled corporation/ interest of spouse	990,000,000 (L)	74.25%
Cheerwin Global Limited(4)	Beneficial interest	990,000,000 (L)	74.25%

Notes:

(1) The letter "L" denote the person's long position in such Shares.

(2) Ms. Ma and Mr. KC Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

(3) Ms. Li and Mr. KX Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

(4) The entire issued share capital of Cheerwin Global Limited is beneficially owned by Ms. Ma, Ms. Li, Mr. KC Chen and Mr. KX Chen who are deemed to be interested in the Shares held by Cheerwin Global Limited pursuant to SFO.

(5) As at 31 December 2021, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

We set out below a summary of the connected transactions conducted/carried out by the Group for the year ended 31 December 2021.

Partially Exempt Continuing Connected Transactions

1. Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen

On 19 February 2021, we entered into a property services framework agreement (the "**Property Services Framework Agreement**") with Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, pursuant to which we may lease properties and receive property management services from the associates of Mr. KX Chen and Mr. KC Chen for office premises, warehouses and production plants. According to the Property Services Framework Agreement, associates of Mr. KX Chen and Mr. KC Chen will lease to us properties and provide to us property management services we need for our business operations, including office premises, warehouses and production plants; our Group and associates of Mr. KX Chen and Mr. KC Chen will enter into separate lease and property management services agreements which will set out specific terms and conditions according to the principles in the Property Services Framework Agreement.

The rentals shall be determined with reference to the then market price of properties of comparable size, furnishings and fittings, and use in the vicinity which are available to independent third parties as agreed by both parties after arm's length negotiation. The property management fees shall be determined as agreed by both parties after arm's length negotiations with reference to the then market price. The Property Services Framework Agreement is valid for a term of three years commencing from the Listing Date.

The annual caps for such transactions are approximately RMB8.5 million, RMB9.3 million and RMB9.4 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December, 2021, the total annual rent and property management fee paid or payable was RMB5.8 million without exceeding the annual cap for such transactions.

2. Ancillary Service Agreement with Liby Group

Liby Group has been providing certain ancillary services including sales support services, such as implementation of our sales promotion plan and managing store display at our points of sales, management of warehouse services, and IT services, such as implementation and maintenance of our IT servers and systems, to our Group. On 19 February 2021, we entered into a service agreement (the "**Ancillary Service Agreement**") with Liby Group in order to govern the provisions of services by Liby Group to our Company.

For sales support services, the service fee payable by our Group to Liby Group shall be determined with reference to the actual sales support expenses incurred by the Liby Group in providing such services plus a reasonable profit margin of approximately 10%, which is comparable to margins charged by independent third parties that provide similar sales support services.

For warehouse services, the service fee payable by our Group to Liby Group shall be determined with reference to the actual warehouse costs incurred by Liby Group and in proportion to the storage space occupied by our Company over the total area of the relevant warehouses.

For IT services, the service fee payable by our Group to Liby Group shall be determined in accordance to our actual usage of the relevant software procured by Liby Group and the time rates of the IT technicians of Liby Group in providing such services with reference to time rates charged by independent third parties that provide similar IT services.

The Ancillary Service Agreement is valid for a term of three years commencing from the Listing Date. The service fee is payable annually in arrears.

The annual caps for such transactions are approximately RMB35.6 million, RMB38.2 million and RMB44.7 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2021, the total service fee paid or payable was RMB35.3 million without exceeding the annual cap for such transactions.

Non-Exempt Continuing Connected Transactions

1. Sales Framework Agreement with Liby Group

We sell our products to subsidiaries or associates of Liby Group in the ordinary course of our business. On February 19, 2021, we entered into a sales framework agreement with Liby Group on normal commercial terms (the "**Sales Framework Agreement**").

We price our sales to Liby Group based on its selling price to its customers under reasonable margin taking into account (i) the direct and indirect cost, including logistics and distribution expenses, salary and wages, information fee, display fee and/or annual maintenance fee, incurred by Liby Group dealing with key accounts and other customers, and (ii) with reference to margins for products of comparable quality, specifications and quantities charged by independent third party distributors that mainly deal with key accounts. We provide recommended retail price for customers of Liby Group, such as key accounts. We will provide a monthly invoice to Liby Group, and Liby Group shall make payment via wire transfer within 45 days from the first day of each month. We do not generally set minimum purchase requirement or sales target for Liby Group, and we do not provide any incentive scheme for them. The Sales Framework Agreement is valid for a term of three years commencing from the Listing Date.

The annual caps for such transactions are approximately RMB437.7 million, RMB512.0 million and RMB639.8 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2021, the total transaction amounts received or receivable was RMB270.4 million without exceeding the annual cap for such transactions.

2. Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen

We outsource the production of certain of our products to associates of Mr. KX Chen and Mr. KC Chen ("**Connected Suppliers**") in the ordinary course of our business. On 19 February 2021, our Company entered into an outsourcing framework agreement with Mr. KX Chen and Mr. KC Chen on normal commercial terms ("**Outsourcing Framework Agreement**").

The purchase price payable by us to the Connected Suppliers under the Outsourcing Framework Agreement shall be determined with reference to the production costs of the relevant products plus a profit margin determined through arm's length negotiation with reference to comparable profit margin of independent third party manufacturers in the same industry.

The Connected Suppliers will provide a monthly invoice to us, and we shall make payment via wire transfer within 45 days from the first day of each month. The Outsourcing Framework Agreement is valid for a term of three years commencing from the Listing Date.

The annual caps for such transactions are approximately RMB279.9 million, RMB337.5 million and RMB410.1 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2021, the total transaction amounts paid or payable was RMB174.2 million without exceeding the annual cap for such transactions.

Waivers from Strict Compliance with the Listing Rules

The transactions described under the paragraph headed "Partially Exempt Continuing Connected Transactions" above constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent Shareholders' approval requirements but subject to the reporting, annual review, announcement requirements of the Listing Rules.

The transactions described under the paragraph headed "Non-Exempt Continuing Connected Transactions" above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and/or independent Shareholders' approval requirements (as applicable) in respect of these continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For more details of the above connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

Confirmation of Independent Non-executive Directors

In the opinion of the independent non-executive Directors, the continuing connected transactions above were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION FROM THE COMPANY'S INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2021 has been provided by the Company to the Stock Exchange.

Save as disclosed in this annual report, as of the date of this annual report, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

Further details on related party transactions for the year ended 31 December 2021 are set out in note 34 to the consolidated financial statements.

Save as disclosed in this annual report, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rule.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of Director has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party for the year ended 31 December 2021 and up to the date of the Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in the Annual Report, at no time during the period from the Listing Date to the date of the Annual Report was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or minor children were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below are interests of our Directors in a business which may compete with our business for the purpose of Rule 8.10 (2) of the Listing Rules as at the date of the Annual Report.

Name of Director	Name of Company	Interest
Ms. Chen Danxia	Ousia Australia Pty. Ltd ("**Ousia Australia**")	Beneficial interest in Danxia Chen family trust and directorship
	Liby Group and Shanghai Cogi (collectively the "**Chen's Family Business**")	Directorship

Ousia Australia is a Australian cosmetics company principally engaged in the production and sales of beauty and skincare products, such as facial cleanser, facial toner and lotion, sunscreen and eye cream, under the brand name "Glamourflage" and with a business presence primarily in Australia. Ousia Australia was acquired by Ms. Chen Danxia as part of her personal investment portfolio. Our Company and Ousia Australia have their own respective boards of directors that function independently of each other. The directorship of Ms. Chen Danxia in Ousia Australia Pty. Ltd is for the purpose of representing her interest on the board level of Ousia Australia. Whilst for the purpose of Rule 8.10(2) of the Listing Rules, Ms. Chen Danxia is regarded as having an interest in a potential competing business, she is a passive investor and is not involved in the day-to-day management of Ousia Australia. The day-to-day management and operations of Ousia Australia are performed by its chief operating officer, brand development manager and supply chain manager based in Australia.

Ms. Chen Danxia also holds directorships in Liby Group and Shanghai Cogi, part of the Chen family's businesses, which are owned and controlled by our Controlling Shareholders. The Chen's Family Business operates under the "Liby" (立白) brand and "COGI" brand in the consumer segment, such as fabric care, dish care and personal care product categories. For details of the competing interests of Ms. Chen Danxia in Liby Group and Shanghai Cogi, please see the section headed "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Management Independence" in the Prospectus.

The Independent non-executive Directors reviewed the competing interests held by Ms. Chen Danxia and considered that the possibility of Ousia Australia and Chen's Family Business competing with the Group is remote.

Saved as disclosed in the Annual Report, during the period from the Listing Date to the date of the Annual Report, none of the Directors or their respective associates (as defined under the Listing Rules) had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws, the Company has arranged for appropriate insurance to cover all costs, charges, losses, expenses and liabilities incurred by any Directors or officers in the execution and discharge of his duties or in relation thereto. The relevant provisions in the Articles of Association and such directors and officers liability insurance were in force during the year ended 31 December 2021 and as of the date of the Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public as at the date of the Annual Report.

EVENTS AFTER THE PERIOD

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

AUDIT COMMITTEE

The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2021.

AUDITOR

Deloitte Touche Tohmatsu was appointed as auditor of the Company (the "**Auditor**") for the year ended 31 December 2021. Deloitte Touche Tohmatsu has audited the accompanying financial statements which were prepared in accordance with the International Financial Reporting Standards.

Deloitte Touche Tohmatsu is subject to retirement and, being eligible, offers itself for re-appointment at the AGM. A resolution for re-appointment of Deloitte Touche Tohmatsu as Auditor will be proposed at the AGM.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 44 to 58 of the Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2021, the Group has complied with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. Further details of the Group's ESG matters will be set out in the ESG Report to be published by the Company separately in due course and will be made available on the website of the Company and that of the Stock Exchange.

By Order of the Board
Chen Danxia
Executive Director, Chairman and Chief Executive Officer
Hong Kong, 28 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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. After the Listing, the Company has adopted the Corporate Governance Code (the "**CG Code**") as its own code of corporate governance. Save as disclosed in the Annual Report, the Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

Board Composition

As at 31 December 2021 and up to the date of the Annual Report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Directors

Ms. Chen Danxia *(Chairman)*
Mr. Xie Rusong
Mr. Zhong Xuyi

Non-executive Director

Mr. Chen Zexing

Independent Non-executive Directors

Dr. De-Chao Michael Yu
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

The biographies of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

The Board considers that the composition of the Board provides a strong independent element with a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Company.

During the period from the Listing Date to 31 December 2021, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

During the period from the Listing Date to the date of the Annual Report, the Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent as at the date of the Annual Report.

Save as disclosed in the biographies of the Directors as set out in the section headed "Biographical Details of Directors and Senior Management" of the Annual Report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Diversity Policy

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to Board Diversity Policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, asset management, consumer goods and computer industries. They obtained academic degrees in various majors, including business administration, accounting, computer and marketing. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 32 years old to 58 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. While we recognize that the gender diversity at the Board can be improved, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will review and revisit the Board Diversity Policy and our diversity profile (including gender balance) at least once annually to ensure its continued effectiveness and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval. We will also disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Induction and Continuous Professional Development

Each newly appointed Directors would be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided the Directors with written training materials in relation to their roles, functions and duties.

Prior to the Listing, all Directors have been given the training regarding the directors' duties and responsibilities, corporate governance and regulatory updates and relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

Based on the information provided by the Directors, during the year ended 31 December 2021, the Directors received the following trainings and updates in 2021:

Name of Directors	Attending seminars and/or conferences and/or forums relation to rules and regulations or duties of the directors	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Ms. Chen Danxia	✓	✓
Mr. Xie Rusong	✓	✓
Mr. Zhong Xuyi	✓	✓
Non-executive Director		
Mr. Chen Zexing	✓	✓
Independent Non-executive Directors		
Dr. De-Chao Michael Yu	✓	✓
Mr. Guo Sheng	✓	✓
Mr. Chan Wan Tsun Adrian Alan	✓	✓

Chairman and Chief Executive Officer

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.

Appointment and Re-Election of Directors

Each of Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi, an executive Director, has entered into a service contract with the Company for an initial fixed term of three years commencing from 19 February 2021 and subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Mr. Chen Zexing, a non-executive Director, has entered into a letter of appointment with the Company, for an initial fixed term of three years commencing from 19 February 2021 and subject to termination in accordance with his term.

Each of Dr. De-Chao Michael Yu, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan, an independent non-executive Director, has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 19 February 2021 and subject to termination in accordance with their respective terms.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract or letter of appointment with the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

In accordance with Article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Accordingly, Mr. Chen Zexing, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-appointment of Directors and succession plans for the Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors.

During the period from the Listing Date to 31 December 2021, eight Board meetings and three general meetings was held. The attendance of each Director at the Board meeting is set out below:

	Attended/Eligible to attend	
Name of Directors	**Board meetings**	**General meetings**
Executive Directors		
Ms. Chen Danxia	8/8	3/3
Mr. Xie Rusong	8/8	3/3
Mr. Zhong Xuyi	8/8	3/3
Non-executive Director		
Mr. Chen Zexing	8/8	3/3
Independent Non-executive Directors		
Dr. De-Chao Michael Yu	8/8	3/3
Mr. Guo Sheng	7/8	3/3
Mr. Chan Wan Tsun Adrian Alan	8/8	3/3

Model Code for Securities Transactions

The Company has adopted 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 year ended 31 December 2021.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board confirmed that corporate governance is a collective responsibility of the Directors, which corporate governance functions includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and

(e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises four members, including one non-executive Director, namely Mr. Chen Zexing and three independent non-executive Directors, namely Mr. Chan Wan Tsun Adrian Alan, Dr. De-Chao Michael Yu and Mr. Guo Sheng. The Audit Committee is chaired by Mr. Chan Wan Tsun Adrian Alan.

The terms of reference of the Audit Committee are in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our Audit Committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board. The written terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company.

During the period from the Listing Date to 31 December 2021, the Audit Committee held two meetings to consider the Company's 2020 annual results announcement, 2020 annual report, 2021 interim results announcement and 2021 interim report, reviewed the financial reporting system, compliance procedures, internal control and risk management systems, re-appointment of the Auditor and discussed the audit plan for the year ended 31 December 2021 with the Auditor and made relevant recommendation to the Board.

The attendance of each Audit Committee member at the Audit Committee meeting during the period from the Listing Date to 31 December 2021 is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Chan Wan Tsun Adrian Alan	2/2
Dr. De-Chao Michael Yu	2/2
Mr. Guo Sheng	2/2
Mr. Chen Zexing *(appointed with effect from 10 August 2021)*	1/2

The Audit Committee also met the external auditor once without the presence of the executive Directors.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director, namely, Ms. Chen Danxia, and two independent non-executive Directors, namely, Dr. De-Chao Michael Yu and Mr. Guo Sheng. The Nomination Committee is chaired by Ms. Chen Danxia.

The terms of reference of the Nomination Committee are in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of our nomination committee are to consider and recommend to our Board on the appointment and removal of Directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on regular basis.

The written terms of reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

Policy on Directors Nomination

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process as set out in the Nomination Policy:

(i) the Nomination Committee will, giving the consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(ii) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from Shareholders with due consideration given to the criteria set out in the Nomination Policy;

(iii) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks;

(iv) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(v) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(vi) the Board will have the final authority in determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be).

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. During the period from the Listing Date to 31 December 2021, there was no change in the composition of the Board.

During the period from the Listing Date to 31 December 2021, two meetings of the Nomination Committee was held to discuss and consider the following matters:

- reviewed the structure, size and composition of the Board;
- assessed independence of the independent non-executive Directors;
- reviewed the Nomination Policy;
- reviewed the Board Diversity Policy;
- considered the re-appointment of the retiring Directors; and
- discussed and made recommendations to the Board on the approval of the appointment of Mr. Chen Zexing, our non-executive Director, as a member of the Audit Committee.

The attendance of each Nomination Committee member at the Nomination Committee meeting during the period from the Listing Date to 31 December 2021 is set out in the table below:

Name of Directors	**Attended/ Eligible to attend**
Ms. Chen Danxia	2/2
Dr. De-Chao Michael Yu	2/2
Mr. Guo Sheng	2/2

Remuneration Committee

The Remuneration Committee currently comprises three members, including one executive Director, namely, Ms. Chen Danxia, and two independent non-executive Directors, namely, Mr. Guo Sheng and Dr. De-Chao Michael Yu. The Remuneration Committee is chaired by Mr. Guo Sheng.

The terms of reference of the Remuneration Committee are in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and recommend to our Board the remuneration and other benefits paid by us to our Directors and senior management as well as to regularly monitor the appropriacy of levels of the remuneration and compensation of the Directors and senior management.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the period from the Listing Date to 31 December 2021, two meetings of the Remuneration Committee was held to discuss and consider the following matters:

- reviewed the remuneration of the Directors and senior management of the Company for the year of 2021;
- reviewed the remuneration policy and structure for the Directors and senior management of the Company for the year of 2022;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration; and
- reviewed and made recommendations to the Board on the grant of share options to eligible participants, including Directors and senior management of the Company.

The attendance of each Remuneration Committee member at the Remuneration Committee meeting during the period from the Listing Date to 31 December 2021 is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Guo Sheng	2/2
Dr. De-Chao Michael Yu	2/2
Ms. Chen Danxia	2/2

Remuneration of Directors and Senior Management

The aggregate remuneration (including fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions) payable to the Directors for the year ended 31 December 2021 was approximately RMB18.8 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company (including Mr. Liang Hongwen who resigned in March 2022 due to personal reasons), whose biographies (except for Mr. Liang Hongwen) are set out on pages 18 to 23 of the Annual Report, for the year ended 31 December 2021, are set out below:

Band of remuneration	Number of individuals
Nil to RMB1,000,000	5
Over RMB1,000,000	8

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 59 to 63 of the Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Company's assets and the Shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has established comprehensive risk management and internal control processes through which the Company monitors, evaluates and manages the risks that the Company is exposed to its business activities. The risk management procedure of the Company is based on the well-defined risk identification standards, risk monitor responsibilities and risk control measure of each major classification. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management. The risk management procedure of the Company clearly specifies the management duties, authorization and approval of each party in respect of the major risk identification and management, and develops clear written policy for significant risk management process and circulate it to all managements and staffs. The Company's internal control procedures are designed to provide reasonable assurance for achieving objectives, including efficient and stable operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year ended 31 December 2021, the Board has conducted a review of the effectiveness of the internal control system of the Group and considered the internal control system to be effective and adequate.

The Company has adopted various measures to ensure the effective implementation of the internal control system, including (i) establishing an Audit Committee to review and supervise our financial reporting process and internal control system; (ii) adopting various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; (iii) organizing training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; (iv) conducting regular internal training for our employees and management on applicable laws and regulations to ensure awareness and compliance which cover various aspects of employee behavior during the ordinary business operations; and (v) appointing HeungKong Capital Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules to ensure the confidentiality of handling inside information and the publication of respective disclosure to the public as soon as practicable. The Company will make corresponding information disclosure timely with regard to information that is unlikely to maintain confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders.

In conclusion, the Company believes that its internal control system is sufficient and effective.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Subject to the Companies Act and other applicable laws and regulations, the Company currently intend to pay approximately 80% of our consolidated profit attributable to Shareholders as dividends for the financial year ended 31 December 2021. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration and payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter in the future.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Auditor in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to RMB3,087,000 and RMB335,000 respectively. An analysis of the remuneration paid/payable to the Auditor, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service category	Fees paid/payable RMB'000
Audit services	3,087
Non-audit services	335
	3,422

COMPANY SECRETARY

Directors have access to the services of the joint company secretaries to ensure that the Board procedures are followed. Ms. Wang Dong ("**Ms. Wang**"), one of the joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Leung Shui Bing ("**Ms. Leung**"), a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary to assist Ms. Wang in discharging her duties as company secretary of the Company. Ms. Leung's primary corporate contact person at the Company is Ms. Wang.

During the period from the Listing Date to 31 December 2021, Ms. Wang and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides an opportunity for constructive communication between the Company and the Shareholders. The Chairman and the chairmen of the Board Committees of the Company or their delegates will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.cheerwin.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution on each substantially separate issue will be proposed for voting at the general meeting, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the head office of the Company at No. 2, Luju Road, Liwan District, Guangzhou, Guangdong Province, China by mail or e-mail cheerwinhq@cheerwin.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted amended and restated memorandum of association on 19 February 2021, which has been effective from 19 February 2021 and adopted amended and restated articles of association on 19 February 2021, which has been effective from the Listing Date. During the year ended 31 December 2021, the said amended and restated memorandum and articles of association did not have any change.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHEERWIN GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statement of Cheerwin Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 64 to 136, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for finished goods	

We identified the allowance for finished goods as a key audit matter due to the significance of the balance to the consolidated financial statements and the management judgments and estimations involved in the identification of aged, obsolete and damaged finished goods and the determination of the net realisable value of the finished goods.
 	
Due to seasonality, the Group usually maintains higher amount of finished goods at the end of the reporting period to prepare for peak seasons in coming first and second quarters. The management identified the aged, obsolete and damaged finished goods based on aging, expiry date and current market conditions of the finished goods and determined the net realisable value based on the selling prices of finished goods subsequent to the end of reporting period less costs necessary to make the sale.
 	
As disclosed in note 4 to the consolidated financial statements, as at 31 December 2021, the carrying amount of finished goods was approximately RMB269,799,000 net of allowance of approximately RMB2,015,000.
	Our procedures in relation to allowance for finished goods included:
	
	• Obtaining an understanding of the Group's allowance policy on finished goods and the key controls on the management's process over the identification of aged, obsolete and damaged finished goods and the determination of the net realisable value of finished goods; and
	
	• Evaluating the reasonableness of the Group's allowance for finished goods by:
	
	  • Testing the aging analysis of finished goods, on a sample basis, to the production reports;
	
	  • Testing the expiry date of finished goods, on a sample basis, to the product labels;
	
	  • Tracing the latest selling prices, on a sample basis, to the relevant sales invoices; and
	
	  • Performing retrospective review on the accuracy of management's assessment relating to the allowance for finished goods.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Men.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**1,769,157**	1,702,154
Cost of sales		**(981,731)**	(959,572)
Gross profit		**787,426**	742,582
Other income	6	**65,483**	39,826
Other gains and losses	7	**(15,897)**	(17,754)
Reversal of (impairment losses) in respect of trade receivables, net		**310**	(1,807)
Selling and distribution expenses	8	**(526,389)**	(372,030)
Administrative expenses		**(179,001)**	(84,580)
Finance costs	9	**(1,613)**	(2,645)
Listing expenses		**(10,030)**	(10,260)
Profit before tax		**120,289**	293,332
Income tax expense	10	**(29,524)**	(60,423)
Profit for the year	11	**90,765**	232,909
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(18,232)**	11
Total comprehensive income for the year		**72,533**	232,920
Profit (loss) for the year attributable to:			
– Owners of the Company		**92,093**	223,781
– Non-controlling interests		**(1,328)**	9,128
		90,765	232,909
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**73,888**	223,787
– Non-controlling interests		**(1,355)**	9,133
		72,533	232,920
Earnings per share			
– Basic (RMB cents)	14	**7.25**	22.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	As at 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**172,900**	152,812
Right-of-use assets	16	**22,215**	14,872
Deposits paid for acquisition of property, plant and equipment		**2,818**	5,160
Financial asset at fair value through profit or loss ("**FVTPL**")	18	**66,900**	–
Deferred tax assets	17	**54,134**	37,313
		318,967	210,157
CURRENT ASSETS			
Inventories	19	**340,442**	359,794
Trade and other receivables	20	**70,996**	102,167
Tax recoverable		**12,527**	3,802
Amounts due from related parties	21	**11,562**	47,739
Time deposits	22	**715,329**	–
Bank balances and cash	22	**1,952,827**	884,766
		3,103,683	1,398,268
CURRENT LIABILITIES			
Trade and other payables	23	**419,529**	411,380
Contract liabilities	24	**169,066**	486,752
Amounts due to related parties	21	**76,765**	110,222
Lease liabilities	25	**5,517**	1,783
Income tax payables		**7,122**	42,658
Bank borrowing	26	**–**	300,000
		677,999	1,352,795
NET CURRENT ASSETS		**2,425,684**	45,473
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,744,651**	255,630
NON-CURRENT LIABILITY			
Lease liabilities	25	**9,392**	5,096
NET ASSETS		**2,735,259**	250,534
CAPITAL AND RESERVES			
Share capital	27	**2**	1
Reserves		**2,733,759**	247,680
Equity attributable to owners of the Company		**2,733,761**	247,681
Non-controlling interests		**1,498**	2,853
TOTAL EQUITY		**2,735,259**	250,534

The consolidated financial statements on pages 64 to 136 were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Zhong Xuyi
DIRECTOR

Chen Danxia
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Translation reserve RMB'000	Merger reserve RMB'000 (note (a))	Share based payments reserve RMB'000	Statutory reserve RMB'000 (note (b))	(Accumulated losses) retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	28,501	–	399	–	(28,924)	–	23,272	(10,014)	13,234	696	13,930
Profit for the year	–	–	–	–	–	–	–	223,781	223,781	9,128	232,909
Other comprehensive income for the year	–	–	–	6	–	–	–	–	6	5	11
Total comprehensive income for the year	–	–	–	6	–	–	–	223,781	223,787	9,133	232,920
Deemed distributions arising from group reorganisation (Note 1 (xvi) and (xvii))	(28,500)	–	–	–	7,894	–	–	–	(20,606)	(10,314)	(30,920)
Issue of shares of the Company (Note 1 (xviii))	–	1,550	–	–	–	–	–	–	1,550	–	1,550
Capital injection from the non-controlling interests	–	–	–	–	–	–	–	–	–	3,338	3,338
Capital injection from the Controlling Shareholders (as defined in Note 1)	–	–	29,716	–	–	–	–	–	29,716	–	29,716
Transfer to statutory reserve	–	–	–	–	–	–	3,792	(3,792)	–	–	–
At 31 December 2020	1	1,550	30,115	6	(21,030)	–	27,064	209,975	247,681	2,853	250,534
Profit (loss) for the year	–	–	–	–	–	–	–	92,093	92,093	(1,328)	90,765
Other comprehensive expense for the year	–	–	–	(18,205)	–	–	–	–	(18,205)	(27)	(18,232)
Total comprehensive (expense) income for the year	–	–	–	(18,205)	–	–	–	92,093	73,888	(1,355)	72,533
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(58,667)	(58,667)	–	(58,667)
Issue of new shares by the Company upon share offer in the listing (as defined in Note 1 and detailed in Note 27)	1	2,598,217	–	–	–	–	–	–	2,598,218	–	2,598,218
Transaction costs attributable to issue of new shares	–	(134,456)	–	–	–	–	–	–	(134,456)	–	(134,456)
Recognition of share-based payments	–	–	–	–	–	7,097	–	–	7,097	–	7,097
Transfer to statutory reserve	–	–	–	–	–		3,366	(3,366)	–	–	–
At 31 December 2021	2	2,465,311	30,115	(18,199)	(21,030)	7,097	30,430	240,035	2,733,761	1,498	2,735,259

Notes:

(a) The amounts represented the difference between the acquisition considerations of group entities comprising the Group under Group Reorganisation (as defined and detailed in Note 1) and the paid-up capital of the relevant group entities at the date of acquisition.

(b) Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), subsidiaries established in the PRC are required to transfer a portion of the profit after taxation to the statutory surplus reserve as approved by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to offset the prior year losses, if any, and/or (ii) in capital conversion.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	120,289	293,332
Adjustments for:		
Impairment losses in respect of trade receivables, net of reversal	(310)	1,807
Depreciation of property, plant and equipment	24,859	11,685
Depreciation of right-of-use assets	5,692	3,234
Bank interest income	(19,613)	(4,674)
Investment income	(6,792)	(5,325)
Finance costs	1,613	2,645
(Reversal of write-down) write-downs of inventories	(2,590)	1,271
Share-based payment expense	7,097	–
Losses on disposal/write-off of property, plant and equipment	3	13
Non-cash donations	2,960	18,454
Operating cash flows before movements in working capital	133,208	322,442
Decrease (increase) in inventories	18,982	(6,253)
Decrease (increase) in trade and other receivables	31,481	(12,866)
Decrease in amounts due from related parties	36,177	3,813
Increase in trade and other payables	20,082	81,406
(Decrease) increase in contract liabilities	(317,686)	30,847
Decrease in amounts due to related parties	(23,539)	(10,568)
Cash (used in) generated from operations	(101,295)	408,821
Income tax paid	(90,606)	(26,092)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(191,901)	382,729
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(1,202,900)	(1,268,576)
Placement of time deposits	(660,000)	–
Purchase and deposits paid for acquisition of property, plant and equipment	(49,445)	(30,427)
Payments for leasehold lands	–	(1,471)
Repayments from shareholders	–	1
Repayments from related parties	–	1
Proceeds on disposal of property, plant and equipment	23	41
Receipt of investment income from structured deposits	6,792	5,325
Bank interest income received	19,613	4,674
Proceeds on disposal of financial assets at FVTPL	1,136,000	1,268,576
Withdrawal of time deposits	550,000	3,026
NET CASH USED IN INVESTING ACTIVITIES	(199,917)	(18,830)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**2,463,762**	–
Consideration paid for acquisition of group entities pursuant to Group Reorganisation (Note 1)	**–**	(101,470)
New bank borrowing raised	**–**	300,000
Advance from a related party	**–**	10,768
Capital injection from the Controlling Shareholders	**–**	29,716
Capital injection from the non-controlling interests	**–**	3,338
Finance costs paid	**(1,613)**	(2,645)
Repayments of lease liabilities	**(5,005)**	(3,226)
Share issue cost paid	**(5,119)**	(5,227)
Repayment to a related party	**(9,918)**	–
Repayment of borrowings	**(300,000)**	–
Dividends paid	**(58,667)**	(221,311)
NET CASH FROM FINANCING ACTIVITIES	**2,083,440**	9,943
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,691,622**	373,842
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**884,766**	511,035
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(18,232)**	(111)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	**2,558,156**	884,766
Bank balances and Cash	**1,952,827**	884,766
Time deposits with maturity of three months or less	**605,329**	–
	2,558,156	884,766

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;

1. GENERAL AND GROUP REORGANISATION (continued)

(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.

1. GENERAL AND GROUP REORGANISATION (continued)

(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.

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

1. GENERAL AND GROUP REORGANISATION (continued)

(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.

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

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.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

1 Effective for annual periods beginning on or after 1 April 2021.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 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.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective (continued)

Amendments to IFRS 3 Reference to the Conceptual Framework

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payments*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised as follows:

Sales of goods

The Group sells household insecticides and repellents, household cleaning, air care, personal care, pet products and other cleaning products to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

For contracts that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group recognises a refund liability (included in trade and other payables) if the Group expects to refund some or all of the consideration received from customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Sales of goods (continued)

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Short-term employee benefits (continued)

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (shares held for share award scheme reserve/share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and right-of-use assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, time deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade-related amounts due from related parties.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties and bank borrowing) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for finished goods

The Group records finished goods at the lower of cost and net realisable value. Regular operational procedures have been in place to monitor the allowance for finished goods due to the significant balance involved and nature of the finished goods is subject to expiry date. Due to seasonality, the Group usually maintains higher amount of finished goods at the end of the reporting period to prepare for peak seasons in coming first and second quarters. The management identifies the aged, obsolete and damaged finished goods based on aging, expiry date and/or current market conditions of the finished goods and determines the net realisable value for finished goods with reference to the selling price for finished goods subsequent to the end of reporting period less costs necessary to make the sales. Although the Group carries out regular reviews on the net realisable value of finished goods, the actual realisable value of finished goods is not known until the sales is concluded.

As at 31 December 2021, the carrying amounts of finished goods of the Group were approximately RMB269,799,000 (2020: RMB270,555,000), net of allowance for finished goods of approximately RMB2,015,000 (2020: RMB4,150,000).

Provision of ECL for trade receivables and amounts due from related parties

Credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties are assessed for ECL individually. In addition, for trade receivables which are individually insignificant collective assessment is performed by grouping debtors based on the Group's internal credit ratings. The loss rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

For the non-trade related balances with related parties, the directors of the Company have performed impairment assessment, and concluded that there are no significant increase in credit risk since initial recognition of these balances. Accordingly, the loss allowance for non-trade related balances with related parties are measured at 12m ECL.

Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The information about the Group's trade receivables and amounts due from related parties and the ECL assessment is disclosed in Notes 20, 21 and 31, respectively. As at 31 December 2021, the carrying amounts of the Group's trade receivables were approximately RMB6,117,000 (2020: RMB15,876,000), net of allowance for credit losses of approximately RMB546,000 (2020: RMB2,799,000). As at 31 December 2021, the carrying amounts of the Group's amounts due from related parties (excluding prepayments to related parties) were approximately RMB11,274,000 (2020: RMB47,593,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Variable consideration for volume rebates

The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group estimates variable consideration to be included in the transaction price for the sales of products with volume rebates.

The Group's volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group assesses the expected annualised volume rebates regularly and accrued sales rebates are adjusted accordingly. Estimates of expected annualised volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of a customer's actual rebate entitlements in the future. As at 31 December 2021, the amounts recognised as accrued sales rebates were approximately RMB127,087,000 (2020: RMB96,362,000) for the expected volume rebates.

5. 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 (Note i)	**1,608,309**	1,560,527
Personal care	**100,817**	108,427
Pet products	**52,662**	22,039
Others (Note ii)	**7,369**	11,161
Total	**1,769,157**	1,702,154
Timing of revenue recognition		
At a point in time	**1,769,157**	1,702,154

Notes:

(i) Household care included household insecticides and repellents, household cleaning and air care products.

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

5. REVENUE AND SEGMENT INFORMATION (continued)

(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: RMB486,752,000). 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 (Note)	**270,427**	358,119

Note: Customer A represented a group of entities under common control of the Controlling Shareholders as set out in Note 34. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective years.

6. OTHER INCOME

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

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.

7. 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 (Note)	**(2,960)**	(18,454)
Foreign exchange (loss) gain, net	**(12,934)**	713
	(15,897)	(17,754)

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.

8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Staff costs	**67,162**	52,947
Promotion expenses	**119,239**	96,199
E-commerce channel promotion expenses	**161,019**	67,135
Advertising service expenses	**59,054**	47,457
Transportation and storage expenses	**99,847**	89,881
Marketing expenses	**14,492**	16,861
Others	**5,576**	1,550
	526,389	372,030

9. FINANCE COSTS

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

10. 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)**	–
	46,345	68,707
Deferred tax (Note 17)	**(16,821)**	(8,284)
	29,524	60,423

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.

10. INCOME TAX EXPENSE (continued)

Income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before tax	**120,289**	293,332
Tax at PRC EIT rate of 25%	**30,072**	73,333
Tax effect of income not taxable for tax purpose	**(2,972)**	–
Tax effect of super deduction for research and development expenses (Note)	**(4,471)**	(1,762)
Tax effect of expenses not deductible for tax purpose	**11,765**	3,993
Tax effect of deductible temporary differences and tax losses not recognised	**16,761**	5,559
Utilisation of deductible temporary difference previously not recognised	**–**	(3,071)
Effect on preferential tax rate of a subsidiary	**(20,281)**	(17,629)
Overprovision in prior year	**(1,350)**	–
Income tax expense for the year	**29,524**	60,423

Note: The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 100% (2010: 75%) tax deduction in the calculation of income tax expense for the year ended 31 December 2021.

11. PROFIT FOR THE YEAR

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 12)	**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**	–
Total staff costs (Note i)	**165,989**	123,574
Depreciation of property, plant and equipment	**24,859**	11,685
Depreciation of right-of-use assets	**5,692**	3,234
Total depreciation	**30,551**	14,919
Less: capitalised in inventories	**(5,013)**	(3,750)
	25,538	11,169
Auditors' remuneration	**3,087**	375
Cost of inventories recognised as an expense (Note ii)	**984,321**	958,301

Notes:

(i) Total staff costs have been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Staff costs included in cost of inventories	**18,397**	20,165
Selling and distribution expenses	**67,162**	52,947
Administrative expenses	**80,430**	50,462
	165,989	123,574

(ii) Amount included reversal of write-down of inventories of approximately RMB2,590,000 (2020: write-down of inventories of RMB1,271,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2021

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Share-base payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors						
Chen Danxia (Note ii)	–	6,859	1,601	4,836	36	13,332
Xie Rusong (Note iii)	–	1,865	385	283	57	2,590
Zhong Xuyi (Note iv)	–	866	733	283	35	1,917
Non-executive director						
Chen Zexing (Note v)	243	–	–	–	–	243
Independent non-executive directors	–					
Guo Sheng (Note vi)	243	–	–	–	–	243
De-chao Michael Yu (Note vi)	243	–	–	–	–	243
Chan Wan Tsun Adrian Alan (Note vi)	243	–	–	–	–	243
	972	9,590	2,719	5,402	128	18,811

Year ended 31 December 2020

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Chen Danxia (Note ii)	–	2,285	–	11	2,296
Xie Rusong (Note iii)	–	1,360	–	4	1,364
Zhong Xuyi (Note iv)	–	785	65	12	862
Non-executive director					
Chen Zexing (Note v)	–	–	–	–	–
	–	4,430	65	27	4,522

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Notes:

(i) The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) Ms. Chen Danxia is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive. Prior to September 2020, the emoluments of Ms. Chen Danxia for her services provided to the Group were borne by an entity controlled by the Controlling Shareholders for the year ended 31 December 2020.

(iii) Mr. Xie Rusong was appointed as executive directors of the Company on 25 August 2020.

(iv) Mr. Zhong Xuyi was appointed as executive directors of the Company on 25 August 2020.

(v) Mr. Chen Zexing was appointed as a non-executive director of the Company on 25 August 2020.

(vi) Mr. Guo Sheng, Dr. De-chao Michael Yu and Mr. Chan Wan Tsun Adrian Alan were appointed as the independent non-executive directors of the Company on 19 February 2021.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

None of the directors nor chief executive waived or agreed to waive any emoluments during both years.

Employees' emoluments

The five highest paid individuals of the Group included two (2020: two) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining three (2020: three) individuals who are neither a director nor chief executive of the Company, are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and allowances	2,760	3,222
Performance related bonus	2,926	–
Retirement benefits scheme contributions	119	52
Share-based payment expenses	566	–
	6,371	3,274

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments (continued)

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Number of employees	
	2021	2020
HK$1,000,001 to HK$1,500,000	**–**	3
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**2**	–
	3	3

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

13. 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.

14. EARNINGS PER SHARE

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

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**92,093**	223,781

	No. of Shares '000	No. of Shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,270,320**	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 as disclosed in Note 1 and share subdivision as described in Note 27 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2020	68,852	40,374	2,001	6,786	42,352	160,365
Additions	82	3,065	60	6,553	19,268	29,028
Transfer	28,978	28,257	–	579	(57,814)	–
Disposals/write-off	–	(195)	(163)	(110)	–	(468)
At 31 December 2020	97,912	71,501	1,898	13,808	3,806	188,925
Additions	223	3,920	953	9,969	29,908	44,973
Transfer	18,929	11,396	–	45	(30,370)	–
Disposals/write-off	–	(304)	(6)	(10)	–	(320)
At 31 December 2021	**117,064**	**86,513**	**2,845**	**23,812**	**3,344**	**233,578**
ACCUMULATED DEPRECIATION						
At 1 January 2020	7,969	12,528	1,341	3,004	–	24,842
Provided for the year	3,426	5,536	261	2,462	–	11,685
Eliminated on disposals/write-off	–	(154)	(155)	(105)	–	(414)
At 31 December 2020	11,395	17,910	1,447	5,361	–	36,113
Provided for the year	5,306	13,271	316	5,966	–	24,859
Eliminated on disposals/write-off	–	(278)	(6)	(10)	–	(294)
At 31 December 2021	**16,701**	**30,903**	**1,757**	**11,317**	**–**	**60,678**
CARRYING VALUES						
At 31 December 2021	**100,363**	**55,610**	**1,088**	**12,495**	**3,344**	**172,900**
At 31 December 2020	86,517	53,591	451	8,447	3,806	152,812

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over the following years after taking into account the residual values:

	Useful lives
Buildings	20 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 to 5 years

The Group's buildings are located in the PRC.

16. RIGHT-OF-USE ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amounts:		
Leased properties	**14,249**	6,676
Leasehold lands	**7,966**	8,196
	22,215	14,872

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation recognised in profit or loss:		
Leased properties	**5,462**	3,036
Leasehold lands	**230**	198
	5,692	3,234

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Expense relating to short-term leases	**424**	3,954
Total cash outflow for leases	**6,230**	7,579
Additions to right-of-use assets	**13,035**	1,471

The Group leases various offices for its operation. Lease contracts are entered into for fixed term of 3 years to 5 years with fixed payments. In addition, lump sum payments were made upfront to acquire the land use rights in the PRC, where its manufacturing facilities are primarily located. The Group does not have the option to purchase the leasehold lands and leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

The Group regularly entered into short-term leases for warehouses. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Accrued sales rebates RMB'000	Unrealised profit on inventories RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	25,871	3,158	–	29,029
Credited to profit or loss (Note 10)	4,322	3,962	–	8,284
At 31 December 2020	30,193	7,120	–	37,313
Credited (charged) to profit or loss (Note 10)	16,904	(121)	38	16,821
At 31 December 2021	**47,097**	**6,999**	**38**	**54,134**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB189,387,000 as at 31 December 2021 (2020: RMB279,252,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2021, the Group has unused tax losses of approximately RMB46,435,000 (2020: RMB18,074,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB46,435,000 (2020: RMB18,074,000) with expiry dates as disclosed in the following table.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
2025	**18,074**	18,074
2026	**28,361**	–
Total	**46,435**	18,074

As at 31 December 2021, the Group has deductible temporary differences of approximately RMB77,234,000 (2020: RMB38,550,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted investments		
Financial asset at FVTPL	66,900	–

During the year ended 31 December 2021, the Group invested in 3.2% equity interest in a private entity established in the PRC at a consideration of approximately RMB66,900,000. The fair value of the investment as at 31 December 2021 approximates to RMB66,900,000.

19. INVENTORIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	52,446	51,128
Work-in-progress	18,197	38,111
Finished goods	269,799	270,555
	340,442	359,794

20. TRADE AND OTHER RECEIVABLES

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

Notes:

(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.

20. TRADE AND OTHER RECEIVABLES (continued)

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:

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

As at 31 December 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB1,657,000 (2020: RMB7,198,000) which are past due as at the reporting date. In particular, for trade receivable past due as at 31 December 2021, carrying amount of RMB1,341,000 is due from one single customer. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable considering factors such as historical settlement patterns from and on-going business relationship with this customer. The entire balance has been fully settled subsequently.

As at 31 December 2021, the Group considered trade receivables with gross amount of approximately RMB278,000 (2020: RMB1,943,000) became credit-impaired, as these debts were outstanding for more than one year and several attempts have been made by the Company to recover the debts but remained unsettled. Management of the Group determined to terminate the business relationship with these debtors.

Details of impairment assessment are set out in Note 31(b).

21. AMOUNTS DUE FROM (TO) RELATED PARTIES

The Group

Amounts due from related parties

	As at 31 December 2021 RMB'000	2020 RMB'000
Trade nature (Notes a & b)		
– Guangzhou Liby Group Company Limited	–	14,455
– Guangdong Liby Washing Products Company Limited	6,517	20,819
– Shanghai Liby Shiye Company Limited	2,735	10,643
– Tianjin Liby Product Sales Company Limited	1,930	178
– Chengdu Liby Shiye Company Limited	–	1,226
– Nanjing Liby Rihua Company Limited	84	272
– Guangzhou Conghua Liby Rihua Company Limited	8	–
	11,274	47,593

	As at 31 December 2021 RMB'000	2020 RMB'000
Trade related prepayments (Note a)		
– Guangzhou Zhanze Property Management Company Limited	288	146
	11,562	47,739

As at 1 January 2020, amounts due from related parties with trade nature amounted to approximately RMB51,552,000.

Notes:

(a) These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

21. AMOUNTS DUE FROM (TO) RELATED PARTIES (continued)

The Group (continued)

Amounts due from related parties (continued)

Notes: (continued)

(b) Trade related balances with related parties arose from sales of goods. In general, 45 days credit period is allowed. The amounts were unsecured and interest-free.

The following is the aged analysis of trade related balances (excluding prepayments to related parties) with related parties at the end of each reporting period presented based on the invoice date.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 45 days	**11,266**	24,993
46 – 90 days	**–**	10,673
91 – 135 days	**8**	10,047
136 – 180 days	**–**	1,879
Over 180 days	**–**	1
	11,274	47,593

As at 31 December 2021, included in the Group's trade related balances with related parties approximately RMB8,000 (2020: RMB22,600,000) were past due as at the reporting date. Out of the past due balances as at 31 December 2021, nil (2020: RMB1,880,000) had been past due 90 days or more and was not considered as in default by considering the historical payment arrangement and forward-looking information of these related parties. The Group did not hold any collateral over these balances.

Details of impairment assessment are set out in Note 31(b).

21. AMOUNTS DUE FROM (TO) RELATED PARTIES (continued)

The Group (continued)

Amounts due to related parties

	As at 31 December 2021 RMB'000	2020 RMB'000
Trade nature (Note a)		
– Guangzhou Liby Group Company Limited	**37,807**	48,641
– Xinxiang Liby Shiye Company Limited	**10,801**	13,407
– Guangzhou Liby (Panyu) Company Limited	**9,590**	10,451
– Maanshan Liby Rihua Company Limited	**9,049**	14,807
– Siping Liby Rihua Company Limited	**3,987**	7,714
– Tianjin Liby Rihua Company Limited	**–**	75
– Liby Rihua Company Limited	**2,822**	2,657
– Sichuan Liby Shiye Company Limited	**2,219**	1,694
– Shanghai New COGI Cosmetic Co., Ltd.	**–**	858
– Guangzhou Zhi Yun COGI bio-technology Company Limited	**490**	–
	76,765	100,304
Non-trade nature (Note b)		
– Faguo Kangliang Cosmetics Company Limited	**–**	9,918
	76,765	110,222

Notes:

(a) These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

Trade related balances with related parties arose from purchase of goods and provision of services. In general, 30 to 60 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with related parties at the end of each reporting period presented based on invoice date:

	As at 31 December 2021 RMB'000	2020 RMB'000
Within 30 days	**38,282**	48,250
31 – 60 days	**9,066**	27,458
61 – 90 days	**2,942**	20,955
91 – 180 days	**8,825**	2,179
181 – 365 days	**17,650**	1,462
	76,765	100,304

(b) The balance is interest-free, non-trade related, unsecured and repayable on demand.

22. TIME DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2021, time deposits of RMB715,329,000 (2020: nil) were denominated in RMB and carried fixed-rates ranging from 2.31% to 3.78% (2020: nil) per annum.

	As at 31 December 2021 RMB'000	As at 31December 2020 RMB'000
Time deposits with maturity of three months or less	**605,329**	–
Time deposits with maturity of more than three months but less than one year	**110,000**	–
Time deposits with maturity of more than one year	**–**	–
	715,329	–
Presented as:		
Current	**715,329**	–
Non-current	**–**	–
	715,329	–

Bank balances and cash consists of balance with banks and cash on hand. Bank balances carry interest at prevailing market rate of 0.30% (2020: 0.30%) per annum as at 31 December 2021.

23. TRADE AND OTHER PAYABLES

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

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

23. TRADE AND OTHER PAYABLES (continued)

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:

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

24. CONTRACT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Receipts in advances from customers		
– finished goods	**169,066**	486,752

As at 1 January 2020, contract liabilities amounted to RMB455,905,000.

The Group generally requires advance payments from majority of its customers before delivery of goods. This will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

The following table shows how much of the revenue recognised for the years ended 31 December 2021 and 2020 relates to the contract liabilities at the beginning of the year:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue recognised during the year	**486,752**	455,905

25. LEASE LIABILITIES

	As at 31 December 2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**5,517**	1,783
Within a period of more than one year but not more than two years	**4,361**	5,096
Within a period of more than two years but not more than five years	**5,031**	–
	14,909	6,879
Less: Amount due for settlement within 12 months shown under current liabilities	**(5,517)**	(1,783)
Amount due for settlement after 12 months shown under non-current liabilities	**9,392**	5,096

When recognising the lease liabilities for leases, the Group has applied incremental borrowing rates of the relevant group entities at the leases commencement/modification dates. The weighted average incremental borrowing rates applied by the relevant group entities are 4.75% (2020: 4.75%) per annum.

26. BANK BORROWING

As at 31 December 2020, the Group's bank borrowing of RMB300,000,000 was denominated in RMB and carries interest at a fixed rate of 2.05% per annum and was repayable within one year from the end of the reporting period. The bank borrowing has been fully repaid during year ended 31 December 2021.

27. SHARE CAPITAL/PAID IN CAPITAL

	Par value	Number of shares	Share capital	Presented as
			USD	RMB'000
Authorised:				
At 1 January 2020 and 2021	USD1	50,000	50,000	
Cancellation (Note i)	USD1	(50,000)	(50,000)	
Share subdivision (Note i)	USD0.0000002	250,000,000,000	50,000	
At 31 December 2021	USD0.0000002	250,000,000,000	50,000	
Issued and fully paid:				
At 1 January 2020	USD1	100	100	
Issue of shares (Note 1 (xviii)	USD1	100	100	
At 1 January 2021	USD1	200	200	1
Cancellation (Note i)	USD1	(200)	(200)	(1)
Share subdivision (Note i)	USD0.0000002	1,000,000,000	200	1
Issue of shares pursuant to initial public offering (Note ii)	USD0.0000002	333,333,500	67	1
At 31 December 2021	**USD0.0000002**	**1,333,333,500**	**267**	**2**

Notes:

(i) On 19 February 2021, the authorised share capital of the Company of par value USD1.00 each was subdivided into 5,000,000 shares of par value USD0.0000002 each. Upon the subdivision, the authorized share capital of the Company was changed from USD50,000 divided into 50,000 shares of a par value of USD1.00 each to USD50,000 divided into 250,000,000,000 shares of a par value of USD0.0000002 each and the issued share capital of the Company became USD200 divided into 1,000,000,000 shares of a par value of USD0.0000002 each.

(ii) On 10 March 2021, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 333,333,500 new shares of USD0.0000002 each issued at a price of HK$9.2 (equivalent to approximately RMB7.8) per share.

28. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme

On 3 June 2021, the Company has adopted the share award scheme (the "Share Award Scheme") with effect from 23 December 2021 to recognise the contribution of and provide incentives for the key management personnel including directors and senior management and employees of the Group ("Selected Participants"). Under the Share Award Scheme, the board of directors of the Company may grant shares to eligible employees, including directors of the Company and its subsidiaries.

In order to allow the release of shares to beneficiaries upon vesting of each share award under the Share Award Scheme, the Company will allot and issue such number of shares representing up to 10% of the shares in issue of the Company. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme in any 12-month period shall not exceed 1.5% of the number of issued share capital of the Company in issue. The Share Award Scheme is effective from 3 June 2021 and shall continue in full force and effect for a term of 10 years or until such date of early termination as determined by the Company.

The vesting conditions of the awarded shares granted to Ms. Chen Danxia are linked to revenue growth and net profit growth of the Group. The vesting conditions of the awarded shares granted to other directors and employees are linked to individual key performance indicators.

Details of awarded shares granted during the year ended 31 December 2021 as follows:

Date of grant	Average fair value per share at date of grant	Number of awarded shares	Number of awarded shares vested during the year	Vesting period
23.09.2021	HK$4.33	19,800,000	–	23.09.2021 to 15.4.2025

	Average fair value per share	Date of grant	Outstanding at 1/1/2021 '000	Granted during the year '000	Vested during the year '000	Forfeited during the year '000	Outstanding at 31/12/2021 '000
Executive directors							
Ms. Chen Danxia	HK$4.33	23.09.2021	–	15,000	–	–	15,000
Mr. Xie Rusong	HK$4.33	23.09.2021	–	600	–	–	600
Mr.Zhong Xuyi	HK$4.33	23.09.2021	–	600	–	–	600
Employees	HK$4.33	23.09.2021	–	3,600	–	–	3,600
Total			–	19,800	–	–	19,800

The estimated fair values of the awarded shares on grant date amounted to approximately RMB71,102,000 (equivalent to HK$85,734,000) (2020: Nil). During the year ended 31 December 2021, share-based payment expenses amounted to RMB6,384,000 (2020: Nil) was recognised in relation to the awarded shares granted by the Company.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 23 September 2021 for the primary purpose of providing incentives to directors and eligible employees, and effective for a period of ten years. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Share Option Scheme is effective from 23 July 2021 and shall continue in full force and effect for a term of 10 years.

The vesting conditions of the share options granted to directors and employees are linked to individual key performance indicators.

During the year ended 31 December 2021, 4,800,000 options were granted on 23 September 2021 (2020: Nil). The estimated fair values of the options granted amounted to approximately RMB7,940,000 (equivalent to HK$9,712,000) (2020: Nil).

Details of share of options granted to directors and key management during the year ended 31 December 2021 are as follows:

Date of grant	Number of option	Vesting date	Exercisable period	Exercise price
23.09.2021	1,200,000	15.04.2022	16.04.2022 – 23.09.2031	HK$4.33
23.09.2021	1,200,000	15.04.2023	16.04.2023 – 23.09.2031	HK$4.33
23.09.2021	1,200,000	15.04.2024	16.04.2024 – 23.09.2031	HK$4.33
23.09.2021	1,200,000	15.04.2025	16.04.2025 – 23.09.2031	HK$4.33

The following table discloses movements of the Company's share options held by directors and key managements during the year ended 31 December 2021:

Date of grant	Outstanding at 01/01/2021	Granted during the year	Exercised during the year	Outstanding at 31/12/2021
23 September 2021	–	4,800,000	–	4,800,000

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2021
Exercise price (HK$)	4.33
Expected volatility	42.08%
Expected life	10 years
Risk-free rate	1.27%
Expected dividend yield	0.60%

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme (continued)

Expected volatility was determined with reference to the historical volatilities of comparable companies of the Company. The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year ended 31 December 2021, share-based payment expenses amounted to RMB713,000 (2020: Nil) was recognised in relation to the share options granted by the Company.

29. RETIREMENT BENEFIT PLANS

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits.

No forfeited contribution is available to reduce the contribution payable in future years.

The contributions to the retirement benefits schemes for employees of the Group and directors of the Company during the year are disclosed in Notes 11 and 12, respectively.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists net debts, which include lease liabilities as disclosed in Note 25 and bank borrowing as disclosed in Note 26, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	**66,900**	–
Financial assets at amortised cost	**2,702,335**	966,888
Financial liabilities		
Amortised cost	**302,729**	660,439

(b) Financial risk management objectives and policies

The Group's financial instruments include financial assets at FVTPL, trade and other receivables, amounts due from related parties, time deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank borrowing and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits (see Note 22 for details), bank borrowing (see Note 26 for details) and lease liabilities (see Note 25 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 22 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group currently does not have an interest rate hedging policy. As management of the Group considered such exposure to cash flow interest rate risk is minimal, accordingly, no sensitivity analysis is presented.

Currency risk

The Group is not exposed to significant foreign exchange risk as it transacts mainly in RMB.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, amounts due from related parties, time deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and trade related balances with related parties arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and trade related balances with related parties and credit-impaired individually and/or collectively. Except for credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties, which are assessed for impairment individually, the remaining trade receivables and trade related balances with related parties are grouped based on shared credit risk characteristics by reference to internal credit ratings and past due exposure for the customers. As at 31 December 2021, credit-impaired trade receivables with gross amount of approximately RMB278,000 (2020: RMB1,943,000) were assessed individually. As at 31 December 2021, trade receivables with significant balances of approximately RMB5,179,000 (2020: RMB11,741,000) were assessed individually. Details of the quantitative disclosures are set out below in this note.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables and trade related balances with related parties as at 31 December 2021 and 2020.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables and non-trade related balances with related parties

The Group assessed the loss allowance for other receivables and non-trade related balances with related parties on 12-month ECL basis as the Group has considered that credit risks on these financial assets have not increased significantly since initial recognition. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The Group has considered the consistently low historical default rate in connection with payments and the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In addition, the Controlling Shareholders agreed to provide adequate financial support to the related parties to meet in full their obligations as necessary. For the years ended 31 December 2021 and 2020, management of the Group assessed the ECL for other receivables and non-trade balances with related parties were insignificant and thus no loss allowance was recognised.

Time deposits and bank balances

The credit risks on time deposits and bank balances are limited because the counterparties are authorised banks in the PRC with high credit ratings assigned by international credit-rating.

The Group assessed 12m ECL for time deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits and bank balances is considered to be insignificant.

Other than the concentration of credit risk on liquid funds which are placed with several banks, the Group does not have any other significant concentration of credit risk.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/trade related balances with related parties	Other financial assets
Low risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There has been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Financial assets at amortised costs					
Trade receivables	20	(Note 1)	Lifetime ECL - not credit impaired (collective assessment)	1,206	4,991
		Low risk	Lifetime ECL - not credit impaired	5,179	11,741
		Loss (Note 2)	Credit-impaired	278	1,943
				6,663	18,675
Other receivables and receivables from payment intermediaries	20	(Note 3)	12m ECL	16,788	18,653
Amounts due from related parties – Trade related	21	(Note 1)	Lifetime ECL - not credit impaired	11,274	47,593
Time deposits	22	(Note 3)	12m ECL	715,329	–
Bank balances	22	(Note 3)	12m ECL	1,952,827	884,766
				2,702,881	969,687

Notes:

1. For not credit-impaired trade receivables and trade related balances with related parties, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on a collective basis, grouped by internal credit rating and past due status of respective receivable. In addition, credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties are assessed for ECL individually.

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis as at 31 December 2021 and 2020 within lifetime ECL (not credit-impaired).

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

1. (continued)

Internal credit rating

	As at 31 December			
	2021		2020	
	Average loss rate %	Trade receivables RMB'000	Average loss rate %	Trade receivables RMB'000
Normal risk	8	1,206	8	4,991

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The management of the Group is of the opinion that there is no material change in the observed default rates of its customers throughout the reporting period and after considering the forward-looking information, same average loss rate was adopted throughout the reporting period. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2021, the Group reversed credit loss allowance of approximately RMB588,000 (2020: RMB136,000) for trade receivables based on collective assessment.

The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (credit-impaired) RMB'000	Lifetime ECL - (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	–	992	992
– impairment losses recognised (reversed)	1,943	(136)	1,807
As at 31 December 2020	1,943	856	2,799
– impairment losses recognised (reversed)	278	(588)	(310)
write-off	(1,943)	–	(1,943)
As at 31 December 2021	278	268	546

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off and is subject to enforcement activities.

Credit losses allowance for trade related balances with related parties as at 31 December 2021 and 2020 was not material, considering the consistently low historical default rate in connection with payments. In addition, the Controlling Shareholders agreed to provide financial support to the related parties to meet in full their obligation as necessary, the probability of default and loss given default are assessed as low.

2. The loss allowance amounts of the credit-impaired trade receivables and trade related balances with related parties are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future losses.

3. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables and non-trade related balances with related parties, time deposits and bank balances by assessment of probability of default. For the non-trade related balances with related parties, the Group has taken into account the financial support provided by the Controlling Shareholders and considered the probability of default and loss given default are low. During the years ended 31 December 2021 and 2020, in view of the nature of the balance and historical default rate and forward looking information, the Group considers the provision of impairment allowance for these balances are insignificant.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 year	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021							
Trade and other payables	–	225,964	–	–	–	225,964	225,964
Amounts due to related parties	–	76,765	–	–	–	76,765	76,765
Lease liabilities	4.75	1,524	4,569	9,928	–	16,021	14,909
		304,253	4,569	9,928	–	318,750	317,638
At 31 December 2020							
Trade and other payables	–	250,217	–	–	–	250,217	250,217
Amounts due to related parties	–	110,222	–	–	–	110,222	110,222
Bank borrowing	2.05	101,196	200,276	–	–	301,472	300,000
Lease liabilities	4.75	516	1,549	5,427	–	7,492	6,879
		462,151	201,825	5,427	–	669,403	667,318

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial assets classified at FVTPL	66,900	–	Level 3	Black Scholes approach. Black-Scholes Option Pricing Model are based on risk-free rate, expected volatility, expected dividend yield and liquidation timing.	Expected Volatility of 39.59%, determined by reference to the expected volatility of comparable companies. (Note)

Note: If the expected volatility of the comparable companies had been 5% higher/lower while all other variables were held constant, the Group's fair value of financial assets at FVTPL as at 31 December 2021 would have increased/decreased by approximately RMB92,750 (2020 N/A).

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair values of financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Amounts due to shareholders	Amounts due to related parties	Accrued issue cost	Interest payable	Borrowing	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	10,105	207,383	85,178	6,200	–	–	–	308,866
Financing cash flows	(3,625)	(236,753)	(75,260)	(5,227)	(2,246)	300,000	–	(23,111)
Finance costs	399	–	–	–	2,246	–	–	2,645
Issue cost accruals	–	–	–	3,421	–	–	–	3,421
Consideration payable arising from Group Reorganisation (Note 1)	–	29,370	–	–	–	–	–	29,370
At 31 December 2020	6,879	–	9,918	4,394	–	300,000	–	321,191
Financing cash flows	(5,806)	–	(9,918)	(5,119)	(812)	(300,000)	(58,667)	(380,322)
Finance costs	801	–	–	–	812	–	–	1,613
Issue cost accruals	–	–	–	2,198	–	–	–	2,198
Dividends declared	–	–	–	–	–	–	58,667	58,667
New lease entered	13,035	–	–	–	–	–	–	13,035
At 31 December 2021	14,909	–	–	1,473	–	–	–	16,382

33. CAPITAL COMMITMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**8,162**	14,527

34. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and Note 21 to the consolidated financial statements. Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year.

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Sales to related parties (Note)		
– Guangzhou Liby Group Company Limited	**134,249**	153,891
– Guangdong Liby Washing Products Company Limited	**79,984**	120,211
– Shanghai Liby Shiye Company Limited	**38,981**	55,516
– Tianjin Liby Product Sales Company Limited	**3,164**	1,565
– Tianjin Liwang E-commerce Company Limited	**–**	205
– Guangzhou Liby (Panyu) Company Limited	**2,515**	5,440
– Xinxiang Liby Shiye Company Limited	**302**	515
– Tianjin Liby Rihua Company Limited	**–**	4
– Maanshan Liby Rihua Company Limited	**2,390**	5,108
– Chengdu Liby Shiye Company Limited	**5,134**	8,557
– Nanjing Liby Rihua Company Limited	**2,957**	4,868
– Shanghai New COGI Cosmetic Co., Ltd.	**–**	1,967
– Liby Rihua Company Limited	**743**	272
– Guangzhou Conghua Liby Rihua Company Limited	**8**	–
	270,427	358,119
Purchase from related parties (Note)		
– Guangzhou Liby Group Company Limited	**–**	5,214
– Xinxiang Liby Shiye Company Limited	**46,536**	53,492
– Guangzhou Liby (Panyu) Company Limited	**39,231**	45,427
– Maanshan Liby Rihua Company Limited	**45,765**	62,442
– Siping Liby Rihua Company Limited	**11,805**	20,683
– Tianjin Liby Rihua Company Limited	**–**	5,379
– Liby Rihua Company Limited	**17,537**	33,044
– Shanghai New COGI Cosmetic Co., Ltd.	**893**	1,017
– Sichuan Liby Shiye Company Limited	**11,171**	5,869
– Guangzhou Zhiyun COGI bio-technology Company Limited	**1,261**	–
	174,199	232,567
Advertising service expense (Note)		
– Guangzhou Megahive Media Company Limited	**–**	10,249
– Shanghai New COGI Cosmetic Co., Ltd.	**–**	704
	–	10,953

34. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Sales support service expense (Note)		
– Guangzhou Liby Group Company Limited	**24,000**	21,600
Warehousing service expense (Note)		
– Guangzhou Liby Group Company Limited	**9,000**	9,000
IT service expense (Note)		
– Guangzhou Liby Group Company Limited	**2,300**	2,300
Expenses relating to short-term leases (Note)		
– Shanghai New COGI Cosmetic Co., Ltd.	**25**	785
– Xinxiang Liby Shiye Company Limited	**–**	685
	25	1,470
Payment of lease liabilities (Note)		
– Guangzhou Liby Group Company Limited	**2,472**	1,341
– Guangzhou Liby (Panyu) Company Limited	**2,025**	2,025
	4,497	3,366
Property management expense (Note)		
– Guangzhou Zhanze Property Management Company Limited	**1,240**	624

Note: These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

Guangzhou BKDR Commercial Factoring Company Limited and Shanghai BKDR Commercial Factoring Company Limited (collectively as "Baokai Daorong"), are entities controlled by the Controlling Shareholders, which are primarily engaged in the business of providing trade financing services. During the years ended 31 December 2021 and 2020, the Group entered into tripartite agreements with Baokai Daorong and the customers of the Group, in which Baokai Daorong granted cash advances to the customers of the Group based on the purchase orders made to the Group and the customers of the Group repay principals and interests to Baokai Daorong on the cash advances financed by Baokai Daorong. For the year ended 31 December 2020, Baokai Daorong provided financing to certain customers of the Group amounted to approximately RMB16,012,000 under this arrangement. No such tripartite agreements were entered into for the year ended 31 December 2021.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management is set out in Note 12.

35. PARTICULARS OF SUBSIDIARIES

As at 31 December 2021 and 2020, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of establishment/ incorporations and place of operation	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at 31 December 2021	2020	Principal activities
Directly held:					
Cheerwin Group BVI	BVI 27 March 2018	USD100	100%	100%	Investment holding
Indirectly held:					
Cheerwin Group HK	HK 13 April 2018	HK$100	100%	100%	Investment holding
Cheerwin Global HK	HK 13 April 2018	HK$100	100%	100%	Sales of daily cleaning products
Guangzhou Cheerwin (wholly foreign owned enterprise)	The PRC 19 October 2018	RMB30,000,000	100%	100%	Investment holding
Cheerwin Biotechnology (wholly-owned domestic enterprise)	The PRC 17 December 2010	RMB5,000,000	100%	100%	Sales of insecticide and daily cleaning products
Panyu Cheerwin (wholly-owned domestic enterprise)	The PRC 26 July 2011	RMB30,000,000	100%	100%	Manufacture and sales of insecticide products
Anfu Cheerwin (wholly-owned domestic enterprise)	The PRC 11 July 2006	RMB30,000,000	100%	100%	Manufacture and sales of insecticide products
Guangzhou Tongli (wholly-owned domestic enterprise)	The PRC 3 December 1992	HKD1,400,000	100%	100%	Sales of plastic daily cleaning products
Guangzhou Yuncheng (wholly-owned domestic enterprise)	The PRC 6 February 2018	RMB5,000,000	100%	100%	Sales of daily pet necessity
Leda Automobile (wholly-owned domestic enterprise)	The PRC 5 February 2018	RMB5,000,000	100%	100%	Sales of auto accessories
Shanghai Runzhisu (wholly-owned domestic enterprise)	The PRC 19 November 2018	RMB1,000,000	100%	100%	Sales of personal care products
Guangzhou Yuntuo (wholly-owned domestic enterprise)	The PRC 14 November 2018	RMB1,000,000	100%	100%	Sales of daily cleaning product
Shanghai Cheerwin (wholly-owned domestic enterprise)	The PRC 29 July 2019	RMB5,000,000	100%	100%	Sales of personal care product
Bestwin Household Products Company Limited (Note a)	Vietnam 24 June 2020	USD510,000	51%	51%	Manufacture and sales of insecticide products
Chao liu ti (Guangzhou) (wholly-owned domestic enterprise) (Note b)	The PRC 17 September 2021	RMB1,000,000	100%	N/A	Marketing service
Guangzhou chao dong chao xi (wholly-owned domestic enterprise) (Note b)	The PRC 17 September 2021	RMB1,000,000	100%	N/A	Sales of personal care product

35. PARTICULARS OF SUBSIDIARIES (continued)

Notes:

(a) This subsidiary was incorporated in Vietnam on 24 June 2020.

(b) These subsidiaries were established in the PRC on 17 September 2021.

None of the subsidiaries had issued any debt securities at the end of the year.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**1,768,599**	1
CURRENT ASSETS		
Other receivables	**5,874**	11,660
Amount due from a subsidiary	**176**	27,749
Time deposits	**605,329**	–
Bank balances and cash	**39,927**	19,810
	651,306	59,219
CURRENT LIABILITIES		
Other payables	**6,352**	17,696
Amount due to a subsidiary	**51,031**	48,224
	57,383	65,920
NET CURRENT ASSETS (LIABILITIES)	**593,923**	(6,701)
NET ASSETS (LIABILITIES)	**2,362,522**	(6,700)
CAPITAL AND RESERVES		
Share capital (Note 27)	**2**	1
Reserves	**2,362,520**	(6,701)
TOTAL EQUITY (DEFICIT)	**2,362,522**	(6,700)

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves is as follows:

	Share premium RMB'000	Capital reserves RMB'000	Share based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	–	–	–	(24,721)	(24,721)
Loss and other comprehensive expense for the year	–	–	–	(13,246)	(13,246)
Issue of shares of the Company (Note 1 (xviii))	1,550	–	–	–	1,550
Capital injection from the Controlling shareholders	–	29,716	–	–	29,716
At 31 December 2020	1,550	29,716	–	(37,967)	(6,701)
Loss and other comprehensive expense for the year	–	–	–	(42,970)	(42,970)
Issue of new shares by the Company upon share offer in the listing (as defined in Note 1 and detailed in Note 27)	2,598,217	–	–	–	2,598,217
Transaction costs attributable to issue of new shares	(134,456)	–	–	–	(134,456)
Dividends recognised as distribution (Note 13)	–	–	–	(58,667)	(58,667)
Recognition of share-based payment	–	–	7,097	–	7,097
At 31 December 2021	2,465,311	29,716	7,097	(139,604)	2,362,520