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CHEERWIN

Cheerwin Group Limited

朝雲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6601)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue	1,021,635	1,271,905
Gross profit	400,383	557,988
Profit before tax	122,860	152,221
Profit for the period	89,335	119,330
Adjusted profit for the period [#]	91,706	129,477
Earnings per share		
– Basic (cents)	6.72	9.95

[#] Adjusted for charity donations and listing expenses.

OPERATING HIGHLIGHTS

In the first half of 2022, various uncontrollable factors such as resurgence of the pandemic and extreme weather had adversely impacted on the operation of the Group's various businesses:

- Our revenue decreased by 19.7% from RMB1,271.9 million for the six months ended 30 June 2021 to RMB1,021.6 million for the six months ended 30 June 2022.
- The Group has maintained long term profitability with effective cost management. Our net profit and adjusted net profit for the six months ended 30 June 2022 were RMB89.3 million and RMB91.7 million respectively.
- Since mid-to-late May of this year, the Group's operation and business expansion experienced an accelerated pace of recovery. In the second half of 2022, the Group will continue to implement the multi-brand, multicategory and full-channel strategy, continuously develop product innovation and optimize the category structure to improve the overall gross profit margin.
- The Group strengthened the production management of various channels and product categories and adopted robust financial management policies during the reporting period to strengthen its risk resistance capability. As a result, the Group recorded selling and distribution expenses of RMB238.5 million, representing a year-on-year decrease of 25.7% and administrative expenses of RMB72.7 million, representing a year-on-year decrease of 9.1%.
- Adequate cash reserves: as at 30 June 2022, the total amount of cash, cash equivalents and various bank deposits of the Group amounted to RMB2,198.5 million.

INTERIM DIVIDEND

- The Board resolved to declare the payment of an interim dividend of RMB0.0168 per Share (equivalent to HK\$0.0192 per Share) for the six months ended 30 June 2022, representing a dividend payout ratio of approximately 25% for the six months ended 30 June 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Cheerwin Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results (“**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022. The Interim Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In the first half of 2022, various uncontrollable factors such as resurgence of the pandemic, extreme weather and global turbulence had adversely impacted on the Group’s business operations:

1. Interrupted delivery of online orders: many cities across the country were affected by the regulatory measures related to the pandemic, which involved suspended shipments or the timing of shipments could not be guaranteed;
2. Disruption in offline business: offline business was affected by constraints on activities such as travel, marketing activities and supply of goods, thus the expansion of such offline distribution channels was slower than expected; in addition, the passenger flow of retail terminals has also plummeted, and some shopping malls and supermarkets also suffered losses or closures due to the decline in passenger flow, which indirectly affected the Group’s offline sales;
3. Restricted production: the supply of raw materials was disrupted, in particular, the Company’s factories located in eastern China was affected by the shutdown restrictions on production, which affected the timely supply of household repellent and insecticide products, household cleaning products and personal care products;
4. Abnormal weather affected the sales of repellent and insecticide products: due to the effect of extreme weather, the demand for insecticide and repellent products has shrunk, which has significantly adversely affected the sales of our household repellents and insecticides products, being our leading product category, in the first half of 2022; and
5. Affected by the global turbulence and the epidemic, the continuous rising costs of raw materials and packaging materials has also pushed up the Group’s production costs and pressured the Group’s profit margin.

Affected by the above factors, in the first half of 2022, the Group recorded revenue of RMB1,021.6 million, representing a year-on-year decrease of 19.7%; the Group’s gross profit margin was 39.2%, representing a year-on-year decrease of 4.7 percentage points; the Group’s net profit was RMB89.3 million, representing a year-on-year decrease of 25.1%. On the other hand, during the reporting period, the Group strengthened the production management of various channels and product categories and adopted sound financial management policies to strengthen its risk resistance capability. As a result, the Group recorded selling and distribution expenses of RMB238.5 million, representing a year-on-year decrease of 25.7%; administrative expenses was RMB72.7 million, representing a year-on-year decrease of 9.1%.

The breakdown of revenue by product categories are as follows:

- For the pet products category, revenue for the six months ended 30 June 2022 was RMB32.1 million, representing an increase of 22.6% as compared to the six months ended 30 June 2021;

- For household care products category, which includes household repellent and insecticide products, household cleaning and air care products, revenue for the six months ended 30 June 2022 was RMB942.0 million, representing a decrease of 19.6% as compared to the six months ended 30 June 2021; and
- For the personal care products category, revenue for the six months ended 30 June 2022 was RMB44.3 million, representing a decrease of 38.1% as compared to the six months ended 30 June 2021.

The breakdown of revenue by sales channels are as follows:

- For online channels, revenue for the six months ended 30 June 2022 was RMB273.0 million, representing an increase of 6.2% as compared to the six months ended 30 June 2021; and
- For offline channels, which comprises offline distributors, corporate and institutional customers, overseas distributors and retail channel (Liby Channel), revenue for the six months ended 30 June 2022 was RMB748.6 million, representing a decrease of 26.2% as compared to the six months ended 30 June 2021.

In the first half of 2022, multiple measures were implemented by the Group to proactively cope with a variety of difficulties and challenges so as to ensure the orderly operation of its businesses:

- In terms of product category: we have been upgrading the existing product lines and develop new products with high profit margin, and launch categories of products which are distinguishable, efficient, composed of healthy ingredients, and solution-focused on consumers' needs. In the first half of 2022, we successfully launched new products such as Superb 8-hour long-lasting mosquito repellent (超威8小時長效驅蚊小綠瓶) and Babeking mosquito repellent series (peach scent) (貝貝健蜜桃驅蚊系列), freeze-dried snacks with partition-locking packaging technology which are newly innovated in the pet industry (寵物分區鎖鮮包裝工藝凍乾零食) and personal care sophora soap (個人護理苦參皂), etc.. The revenue contribution from pet food, personal care and household cleaning product businesses has increased, and the structure of our products have gradually optimized, and it is expected that the profitability of the Group will be further improved.
- In terms of sales channel: (i) offline channels – we have been enhancing the quality of our distribution outlets by leveraging on the sales of products with high profit margin, and to enhance the market foundation with widen distribution coverage of multi-category products. We also created our terminal brand image in standardised offline stores that reinforces the professional image of our Superb mosquito repellent products ranking first in the industry and Vewin household cleaning products. Also, our personal care products and air care products are promoted in a special display feature of products stacking with chamfers arrangement (堆頭切角) with an aim to improve the promotion efficiency of our resources input; (ii) online channels – while steadily developing our “Tao-series direct sales platform” (淘系直營平台), we have also been cultivating our distribution channels on JD.com, Pinduoduo (拼多多) and Taobao (淘寶) to realise growth, and at the same time operating the sales channel on Douyin (抖音) independently with an aim to embrace the new incremental opportunities; and (iii) pet product business – we have established an offline distribution team for our pet products, and have commenced investment promotion for exploring new cooperation opportunities and expanding the coverage of our business partners.
- Strategic investment landing: through our strategic investment in Wuhan Zhongbo Lvya Biotechnology Limited (武漢中博綠亞生物科技有限公司), we have enhanced the supply chain, research and development and talent layout of our pet medicine and health care products business.

Moreover, the Group continued to promote its brands and products with marketing strategies of digitalization, socialisation and personalization. We have strived to offer our consumers the one-stop high quality products for household care, personal care, and pet care, and have been recognised and well received by our consumers. In particular, NielsenIQ retail market data showed that the Group's household insecticides and repellents products ranked first in China in terms of comprehensive market share of similar products for seven consecutive years from 2015 to 2021.

Business Outlook

Since mid-to-late May of this year, the Group's operation and business expansion experienced an accelerated pace of recovery. In the second half of 2022, the Group will continue to implement the multi-brand, multi-category and full-channel development strategy, continuously develop product innovation and optimize the category structure to improve the overall gross profit margin. In addition, the Company will also strive to develop full-channel sales, strengthen the distribution of high-margin products, and seize the incremental opportunities in emerging channels, such as Douyin. The Company will also establish comprehensive independent offline distribution channels for pet and personal care products to achieve the sustainable development of the Group.

In the second half of 2022, the Group is committed to implementing the following growth strategies:

- Expansion of household cleaning business: We will further improve the product planning of household cleaning products, launch Vewin Moliguojing (威王魔力果淨) which positioned as high-end household cleaners, increase the gross profit margin of household cleaning business, and expand the high-end household cleaning market;
- Expansion of pet business: We will vigorously develop our natural fresh meat pet staple food (真鮮肉寵物主糧) business, and continue to develop offline channels while maintaining the rapid growth of online channels, so as to further increase our market share in the industry and improve our overall profitability;
- Further in-depth development of offline channels: We will optimize and reform the organizational structure of the offline sales system. Following the stabilization of the pandemic situation and the restriction and control policies, we will continue to consolidate the leading position of offline distribution channels and continue to implement the "Million Distribution" project and capture the market share of the high-end products through our distinguishable "Home Clear Product Series (家清產品系列)";
- Breakthrough in online channels: Maintaining the rapid development of emerging online channels such as Douyin, JD.com, Pinduoduo, and Kuaishou (快手), and further consolidate our leading position and business moat in terms of the core competitiveness of various categories of our products and enhance the profitability from our e-commerce segment;
- Cost reduction and efficiency enhancement management: We will strengthen upstream supply chain construction and optimize production costs; keep up with market conditions, improve cost competitiveness through various measures such as centralized procurement and strategic cooperation; and improve the overall input-output ratio, and improve the profitability of various channels and categories; and focus on the expansion of top-selling and high-margin products in the second half of the year, we strive to optimize our cost ratio, improve the overall input-output ratio and enhance the profitability of each channel and category;
- Technology research and development improvement: We will promote pet food research and development cooperation, establish a joint laboratory for pet health care product, and enhance the core competitiveness of pet business;
- Empowerment through team's building: We will continue to promote multiple incentive mechanisms such as share options and restricted share awards, cash incentives and partnership operations to enhance the Group's organizational cohesion and coordination and ensure efficient implementation of the Group's development strategy;
- Proactiveness in mergers and acquisitions opportunities: We will focus on quality projects in the pet and fast-moving consumer goods (FMCG) industries, and projects highly synergistic with the Group's business, both domestically and overseas, and will accelerate our merger and acquisition initiatives once the capital environment and the epidemic have further stabilised; and
- Implementation of dividend policy: A high-proportion and stable annual dividend policy to maximize shareholders' returns.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	1,021,635	1,271,905
Cost of sales		<u>(621,252)</u>	<u>(713,917)</u>
Gross profit		400,383	557,988
Other income		29,325	13,980
Other gains and losses	4	6,675	(6,621)
Impairment losses under expected credit loss model, net of reversal		(1,928)	(918)
Selling and distribution expenses	5	(238,532)	(321,004)
Administrative expenses		(72,653)	(79,965)
Finance costs	6	(410)	(1,209)
Listing expenses		<u>–</u>	<u>(10,030)</u>
Profit before tax		122,860	152,221
Income tax expense	7	<u>(33,525)</u>	<u>(32,891)</u>
Profit for the period	8	<u>89,335</u>	<u>119,330</u>
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>54,215</u>	<u>(191)</u>
Total comprehensive income for the period		<u>143,550</u>	<u>119,139</u>
Profit (loss) for the period attributable to:			
Owners of the Company		89,566	120,028
Non-controlling interests		<u>(231)</u>	<u>(698)</u>
		<u>89,335</u>	<u>119,330</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		143,766	119,860
Non-controlling interests		<u>(216)</u>	<u>(721)</u>
		<u>143,550</u>	<u>119,139</u>
Earnings per share			
Basic (RMB cents)	10	<u>6.72</u>	<u>9.95</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		165,650	172,900
Right-of-use assets		26,908	22,215
Deposits paid for acquisition of property, plant and equipment		3,388	2,818
Financial assets at fair value through profit or loss (“FVTPL”)		135,224	66,900
Deferred tax assets		72,250	54,134
		<u>403,420</u>	<u>318,967</u>
Current assets			
Inventories		162,986	340,442
Trade and other receivables	11	119,854	70,996
Tax recoverable		217	12,527
Amounts due from related parties		128,688	11,562
Other financial assets at amortised cost		228,592	–
Time deposits		1,567,125	715,329
Bank balances and cash		631,326	1,952,827
		<u>2,838,788</u>	<u>3,103,683</u>
Current liabilities			
Trade and other payables	12	299,016	419,529
Contract liabilities		37,906	169,066
Amounts due to related parties		64,535	76,765
Lease liabilities		6,810	5,517
Income tax payables		13,491	7,122
		<u>421,758</u>	<u>677,999</u>
Net current assets		<u>2,417,030</u>	<u>2,425,684</u>
Total assets less current liabilities		<u><u>2,820,450</u></u>	<u><u>2,744,651</u></u>

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current liabilities		
Lease liabilities	12,866	9,392
Deferred tax liabilities	<u>2,656</u>	<u>–</u>
	<u>15,522</u>	<u>9,392</u>
Net assets	<u>2,804,928</u>	<u>2,735,259</u>
Capital and reserves		
Share capital	2	2
Reserves	<u>2,803,644</u>	<u>2,733,759</u>
Equity attributable to owners of the Company	<u>2,803,646</u>	<u>2,733,761</u>
Non-controlling interests	<u>1,282</u>	<u>1,498</u>
Total equity	<u>2,804,928</u>	<u>2,735,259</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Revenue by types of products		
Household care (Note i)	941,996	1,171,717
Personal care	44,343	71,615
Pet products	32,065	26,150
Others (Note ii)	3,231	2,423
	<hr/>	<hr/>
Total	1,021,635	1,271,905
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
At a point in time	1,021,635	1,271,905
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Household care included household insecticides and repellents, household cleaning and air care products.
- (ii) Others included household supplies, appliances and other products, none of them accounted for a material portion individually.

(ii) **Transaction price allocated to the remaining performance obligations for contracts with customers**

As at 30 June 2022, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB37,906,000 (unaudited) (31 December 2021: RMB169,066,000 (audited)). The amounts were equivalent to the contract liabilities as at 30 June 2022 and 31 December 2021, 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 30 June 2022 and 31 December 2021 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 (the “CODM”), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group’s accounting policies. 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 almost 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:

	Six months ended 30 June	
	2022 RMB’000 (unaudited)	2021 RMB’000 (unaudited)
Customer A (<i>Note</i>)	<u>150,336</u>	<u>216,017</u>

Note: Customer A represented a group of entities under common control of the controlling shareholders of the Company. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective periods.

4. **OTHER GAINS AND LOSSES**

	Six months ended 30 June	
	2022 RMB’000 (unaudited)	2021 RMB’000 (unaudited)
Losses on disposal of property, plant and equipment	(51)	–
Donations	(2,371)	(117)
Foreign exchange losses, net	(1,527)	(6,504)
Gain on fair value changes of a financial asset at FVTPL	<u>10,624</u>	<u>–</u>
	<u>6,675</u>	<u>(6,621)</u>

5. SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Staff costs	34,529	47,960
Promotion expenses	42,483	75,627
E-commerce channel promotion expenses	64,358	97,539
Advertising service expenses	38,278	31,294
Transportation and storage expenses	51,292	59,092
Marketing expenses	7,254	7,055
Others	338	2,437
	<u>238,532</u>	<u>321,004</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest expense on lease liabilities	410	346
Interest expense on bank borrowing	–	863
	<u>410</u>	<u>1,209</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current tax	48,985	51,204
Deferred tax	(15,460)	(18,313)
	<u>33,525</u>	<u>32,891</u>

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

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 periods, 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. As at 30 June 2022 and up to the date of issuance of the condensed consolidated financial statements, Anfu Cheerwin is still in progress of applying for New and Hi-Tech Enterprise in 2022.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (<i>Note i</i>):		
– Directors' remuneration	6,321	10,507
Other staff costs:		
– Salaries and other allowances	63,914	79,021
– Contributions to retirement benefits scheme	5,611	2,755
	75,846	92,283
Depreciation of property, plant and equipment	12,370	12,163
Depreciation of right-of-use assets	3,352	2,157
	15,722	14,320
Total depreciation	15,722	14,320
Less: capitalised in inventories	(2,720)	(3,800)
	13,002	10,520
Auditor's remuneration	1,420	1,960
Cost of inventories recognises as an expense (<i>Note ii</i>)	621,248	711,616
	621,248	711,616

Notes:

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Staff costs included in cost of inventories	7,580	10,504
Selling and distribution expenses	34,529	47,960
Administrative expenses	33,737	33,819
	75,846	92,283
	75,846	92,283

- (ii) Amount included allowance for inventories of approximately RMB4,000 (unaudited) (six months ended 30 June 2021: RMB2,301,000 (unaudited)).

9. DIVIDENDS

During the current interim period, a final dividend of RMB0.0553 per ordinary share (equivalent to HK\$0.0680 per ordinary share) in respect of the year ended 31 December 2021 (six months ended 30 June 2021: 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. The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately RMB73,733,000 (six months ended 30 June 2021: RMB58,667,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.0168 per ordinary share (equivalent to HK\$0.0192 per ordinary share) amounting to RMB22,400,000 in aggregate (six months ended 30 June 2021: nil) will be paid to owners of the Company whose names appear in the register of members on 20 September 2022.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	<u>89,566</u>	<u>120,028</u>
	No. of Shares '000	No. of Shares '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,333,334</u>	<u>1,206,262</u>

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 six months ended 30 June 2022.

No diluted earnings per share is presented for the six months ended 30 June 2021 as there was no dilutive potential ordinary shares outstanding as at 30 June 2021 and during the six months ended 30 June 2021.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
	Trade receivables	51,859
Less: Allowance for credit losses	<u>(2,196)</u>	<u>(546)</u>
	<u>49,663</u>	<u>6,117</u>
Prepayments for purchase of raw materials	7,965	9,434
Prepaid promotion service expenses	17,567	6,630
Other tax recoverables	27,793	32,027
Receivables from payment intermediaries (Note a)	721	1,268
Other receivables (Note b)	<u>16,145</u>	<u>15,520</u>
	<u>119,854</u>	<u>70,996</u>

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.

Trade receivables

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 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within 30 days	36,662	4,460
31 – 60 days	12,873	1,657
61 – 90 days	55	–
91 – 120 days	73	–
	49,663	6,117

As at 30 June 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB13,001,000 (unaudited) (31 December 2021: RMB1,657,000 (audited)) which are past due as at the reporting date. In particular, for trade receivable past due as at 30 June 2022, carrying amount of approximately RMB11,513,000 (unaudited) (31 December 2021: RMB1,341,000 (audited)) 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 (audited) 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.

The Group applies the simplified approach to provide for expected credit losses ("ECL") prescribed by IFRS 9 "Financial Instruments", which permits the use of the lifetime expected loss provision for trade receivables.

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. The remaining trade receivables are assessed collectively, grouped by internal credit rating taking into account past due status of respective receivables. 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.

During the six months ended 30 June 2022, the Group recognised credit loss allowance of approximately RMB1,928,000 (unaudited) (six months ended 30 June 2021: RMB918,000 (unaudited)) for trade receivables.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	129,065	216,133
Accrued sales rebates (<i>Note</i>)	104,145	127,087
Other accrued expenses	27,157	24,626
Accrued staff payroll and welfare	21,408	30,279
Construction costs payables	1,166	1,283
Other tax payables	9,631	11,573
Other payables	4,522	2,653
Accrued issued costs and listing expenses	1,922	5,895
	<u>299,016</u>	<u>419,529</u>

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

Trade payables

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

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

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 30 days	77,758	123,941
31 – 60 days	14,211	55,125
61 – 90 days	15,448	19,456
Over 90 days	21,648	17,611
	<u>129,065</u>	<u>216,133</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

Our revenue decreased by 19.7% from RMB1,271.9 million for the six months ended 30 June 2021 to RMB1,021.6 million for the six months ended 30 June 2022. The decrease in our revenue was caused by various uncontrollable factors such as resurgence of the pandemic, extreme weather and global turbulence which had adversely impacted on the Group's business operations. In particular, the online orders delivery and offline business have been disrupted under the control and prevention measures of COVID-19 in 2022, where passenger flow of retail terminals has also plummeted, hence slowing down the offline sales of the Company.

Revenue by product categories

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Household Care ⁽¹⁾	941,996	92.2	1,171,717	92.1
Personal Care	44,343	4.4	71,615	5.6
Pet Products	32,065	3.1	26,150	2.1
Others ⁽²⁾	3,231	0.3	2,423	0.2
Total	<u>1,021,635</u>	<u>100.0</u>	<u>1,271,905</u>	<u>100.0</u>

Notes:

- (1) Household Care included household repellent and insecticide products, household cleaning and air care products.
- (2) Others included household supplies and appliances and other products and none of them accounted for a material portion individually.

Our revenue from household care products decreased by 19.6% from RMB1,171.7 million for the six months ended 30 June 2021 to RMB942.0 million for the six months ended 31 June 2022.

Our revenue from personal care products decreased by 38.1% from RMB71.6 million for the six months ended 30 June 2021 to RMB44.3 million for the six months ended 30 June 2022.

Our revenue from pet products increased by 22.6% from RMB26.2 million for the six months ended 30 June 2021 to RMB32.1 million for the six months ended 30 June 2022.

Revenue by sales channel

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Online Channels ⁽¹⁾	273,005	26.7	256,947	20.2
Offline Channels ⁽²⁾	748,630	73.3	1,014,958	79.8
Total	1,021,635	100.0	1,271,905	100.0

Notes:

- (1) Online channels included self-operated online stores, online distributors, and community e-commerce platforms.
- (2) Offline channels included offline distributors, retail channel (Liby Channel), corporate and institutional customers, overseas distributors, and OEM business.

Revenue from online channels increased by 6.2% from RMB256.9 million for the six months ended 30 June 2021 to RMB273.0 million for the six months ended 30 June 2022.

Revenue from offline channels decreased by 26.2% from RMB1,015.0 million for the six months ended 30 June 2021 to RMB748.6 million for the six months ended 30 June 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 28.2% from RMB558.0 million for the six months ended 30 June 2021 to RMB400.4 million for the six months ended 30 June 2022. Our overall gross profit margin remained relatively stable at 43.9% and 39.2% for the six months ended 30 June 2021 and 2022, respectively.

Gross profit and gross profit margin by product categories

	Six months ended 30 June			
	2022		2021	
	<i>Gross Profit RMB'000</i>	<i>Gross Profit Margin %</i>	<i>Gross Profit RMB'000</i>	<i>Gross Profit Margin %</i>
Household Care ⁽¹⁾	365,883	38.8	511,392	43.6
Personal Care	17,441	39.3	29,960	41.8
Pet Products	16,073	50.1	16,383	62.7
Others ⁽²⁾	986	30.5	253	10.4
Total	400,383	39.2	557,988	43.9

Notes:

- (1) Household Care included household repellent and insecticide products, household cleaning and air care products.
- (2) Others included household supplies and appliances and other products and none of them accounted for a material portion individually.

With respect to the gross profit margin, primarily due to the global turbulence and the epidemic, the prices of raw materials and packaging materials have continued to rise, which has also boosted up the Company's production costs in the six months ended 30 June 2022, in particular:

Our gross profit of household care products for the six months ended 30 June 2022 was RMB365.9 million, whereas the gross profit margin has decreased from 43.6% for the six months ended 30 June 2021 to 38.8% for the six months ended 30 June 2022.

Our gross profit of personal care products for the six months ended 30 June 2022 was RMB17.4 million, whereas the gross profit margin has decreased from 41.8% for the six months ended 30 June 2021 to 39.3% for the six months ended 30 June 2022.

Our gross profit of pet products for the six months ended 30 June 2022 was RMB16.1 million, whereas the gross profit margin has decreased from 62.7% for the six months ended 30 June 2021 to 50.1% for the six months ended 30 June 2022.

Gross profit and gross profit margin by sales channels

	Six months ended 30 June			
	2022		2021	
	Gross profit RMB'000	Gross Profit Margin %	Gross profit RMB'000	Gross Profit Margin %
Online Channels ⁽¹⁾	130,851	47.9	129,554	50.4
Offline Channels ⁽²⁾	269,532	36.0	428,434	42.2
Total	<u>400,383</u>	<u>39.2</u>	<u>557,988</u>	<u>43.9</u>

Notes:

- (1) Online channels included self-operated online stores, online distributors, and community e-commerce platforms.
- (2) Offline channels included offline distributors, retail channel (Liby Channel), corporate and institutional customers, overseas distributors, and OEM business.

Our gross profit of online channels for the six months ended 30 June 2022 was RMB130.9 million, whereas the gross profit margin has decreased from 50.4% for the six months ended 30 June 2021 to 47.9% for the six months ended 30 June 2022.

Our gross profit of offline channels for the six months ended 30 June 2022 was RMB269.5 million, whereas the gross profit margin has decreased from 42.2% for the six months ended 30 June 2021 to 36.0% for the six months ended 30 June 2022.

Other Income

Our other income increased by 109.8% from RMB14.0 million for the six months ended 30 June 2021 to RMB29.3 million for the six months ended 30 June 2022 primarily due to the increase in bank interests over the same periods. Our other income as a percentage of our total revenue increased from 1.1% for the six months ended 30 June 2021 to 2.9% for the six months ended 30 June 2022.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 25.7% from RMB321.0 million for the six months ended 30 June 2021 to RMB238.5 million for the six months ended 30 June 2022, primarily attributable to the improvement in the efficiency of the Company's sales management.

Administrative Expenses

Our administrative expenses decreased by 9.1% from RMB80.0 million for the six months ended 30 June 2021 to RMB72.7 million for the six months ended 30 June 2022, partially attributable to the improvement in the Company's efficiency of administrative management.

Other Gains and Losses

We recorded other gains of RMB6.7 million for the six months ended 30 June 2022, as compared to other losses of RMB6.6 million for the same period in 2021, primarily due to the increase in fair value of the Company's investment in Shandong Shuaike Pet Product Co., Ltd. (山東帥克寵物用品有限公司).

Finance Costs

Our finance costs decreased from RMB1.2 million for the six months ended 30 June 2021 to RMB0.4 million for the six months ended 30 June 2022 primarily due to a repayment of a loan for COVID-19 pandemic prevention in 2021.

Profit before Tax

As a result of the foregoing, our profit before income tax decreased by 19.3% from RMB152.2 million for the six months ended 30 June 2021 to RMB122.9 million for the six months ended 30 June 2022.

Income Tax Expense

Our income tax expense increased by 1.9% from RMB32.9 million for the six months ended 30 June 2021 to RMB33.5 million for the six months ended 30 June 2022, primarily due to the fact that one of our subsidiaries which enjoyed a preferential income tax rate of 15% since 2019 due to its status as a qualified high-tech enterprise, was still undergoing the renewal process for its qualification as of 30 June 2022, hence a higher tax rate of 25% was adopted. As a result, our effective tax rate has also increased from 21.6% for the six months ended 30 June 2021 to 27.3% for the six months ended 30 June 2022.

Profit for the Period

As a result of the foregoing, our profit decreased by 25.1% from RMB119.3 million for the six months ended 30 June 2021 to RMB89.3 million for the same period in 2022. Our net profit margin decreased slightly from 9.4% for the six months ended 30 June 2021 to 8.7% for the six months ended 30 June 2022.

Non-IFRS Measures: Adjusted Net Profit

Adjusted net profit, as we present, 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 period. The following table reconciles profit for the periods under IFRSs to adjusted net profit for the periods indicated:

	For the six months ended 30 June	
	2022	2021
	RMB'000	
Profit for the period	89,335	119,330
Adjustments for:		
One-time charity donations	2,371	117
Listing expenses	–	10,030
Adjusted net profit	91,706	129,477

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 six months ended 30 June 2022 was RMB172.4 million, as compared to net operating cash outflow of RMB318.5 million for the six months ended 30 June 2021, resulting from our profit before tax of RMB122.9 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid.

Capital Expenditures

Our capital expenditures decreased from RMB31.9 million for the six months ended 30 June 2021 to RMB13.0 million for the six months ended 30 June 2022. Our capital expenditures were used primarily for acquisition 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 at 30 June 2022, we had RMB2,198.5 million in cash and cash equivalents and time deposits, most of which were denominated in RMB.

Gearing Ratio

The gearing ratio increased from 0.5% as at 31 December 2021 to 0.7% as at 30 June 2022, primarily due to the increase in right-of-use assets and lease liabilities.

Significant Investments Held

For the six months ended 30 June 2022, 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 six months ended 30 June 2022, the Group did not conduct any material 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 deposits 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 30 June 2022 and 31 December 2021.

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Human Resources

As at 30 June 2022, the number of employees of the Group was 877 as compared to 855 as at 30 June 2021. The total cost of staff, including basic salary and wages, social insurance and bonus, for the six months ended 30 June 2022 was RMB75.8 million as compared to RMB92.3 million for the same period in 2021. The decrease was mainly attributable to the decrease in staff performance incentive awarded.

OTHER INFORMATION

Use of Proceeds from Global Offering

The shares of the Company (the “**Shares**”) 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 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 six months ended 30 June 2022 (RMB million)	Actual net amount utilised up to 30 June 2022 (RMB million)	Unutilised net amount as at 30 June 2022 (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	8.7	25.8	146.0	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
Motivate 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	43.8	71.2	170.7	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	4.4	14.4	106.5	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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Actual net amount utilised for the six months ended 30 June 2022 (RMB million)	Actual net amount utilised up to 30 June 2022 (RMB million)	Unutilised net amount as at 30 June 2022 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Enhance our market penetration in lower-tier cities	5.0%	120.9	0.5	8.5	112.4	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	24.9	60.2	181.7	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	1.2	4.6	237.3	Expected to be fully utilised by the end of 2026
Strategic acquisitions of upstream and downstream businesses to acquire external high quality, complementary technologies, brands and businesses	15.0%	362.8	57.7	124.6	238.2	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	141.2	309.3	2,109.5	

As at 30 June 2022, the remaining proceeds of approximately RMB2,109.5 million (equivalent to approximately HK\$2,466.7 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 30 June 2022.

INTERIM DIVIDEND

The Board resolved to declare the payment of an interim dividend of RMB0.0168 per Share (equivalent to HK\$0.0192 per Share) for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), representing a dividend payout ratio of approximately 25% for the six months ended 30 June 2022, on or around Wednesday, 12 October 2022 to the shareholders of the Company (the “**Shareholder(s)**”) whose names appear on the register of members of the Company on Tuesday, 20 September 2022.

The interim dividend shall be declared in RMB and paid in Hong Kong dollars. The interim dividend payable in Hong Kong dollars will be converted from RMB at the average central parity rate of RMB to Hong Kong dollars as announced by the People’s Bank of China for the period from Tuesday, 23 August 2022 to Monday, 29 August 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 16 September 2022 to Tuesday, 20 September 2022, both days inclusive, during which period no share transfers of the Company will be registered. To qualify for the interim 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, 15 September 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. For the six months ended 30 June 2022, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision.

Under code provision C.2.1 of the CG Code, 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 chief executive officer and the responsibilities of both chairman and chief executive officer vest in Ms. Chen Danxia. The Board believes that vesting the responsibilities of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of seven Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole.

Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions since the Listing Date. Having been made specific enquiries, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

EVENTS AFTER THE PERIOD

There is no significant subsequent event after the reporting period.

AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three independent non-executive Directors, namely, Mr. Chan Wan Tsun Adrian Alan (Chairman), Dr. De-Chao Michael Yu and Mr. Guo Sheng, and one non-executive Director, namely Mr. Chen Zexing. The Audit Committee has adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have also been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cheerwin.com. The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By order of the Board
Cheerwin Group Limited
Chen Danxia

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 30 August 2022

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