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CHEERWIN

Cheerwin Group Limited

朝雲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6601)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,442,194	1,769,157
Gross profit	599,808	787,426
Profit before tax	85,048	120,289
Profit for the year	64,085	90,765
Adjusted profit for the year [#]	67,640	103,755
Earnings per share		
– Basic (RMB cents)	4.85	7.25

[#] Adjusted for one-time charity donations and listing expenses.

OPERATING HIGHLIGHTS

- Our revenue decreased by 18.5% from RMB1,769.2 million for the year ended 31 December 2021 to RMB1,442.2 million for year ended 31 December 2022.
- The Group has maintained long term profitability with effective cost management. Our net profit and adjusted net profit for the year ended 31 December 2022 were RMB64.1 million and RMB67.6 million respectively.
- In 2022, the Group's operation and business expansion experienced an accelerated pace of recovery. During the pandemic, the Group strived to retain its market position in the household care industry. Revenue from the pet products category for the year ended 31 December 2022 was RMB76.9 million, representing an increase of 46.1% from the year ended 31 December 2021.
- The Group has adopted effective cost management strategies throughout the product cycle from production, logistics to distribution, and has implemented stringent financial management policies to mitigate potential financial risks. As a result, the Group recorded selling and distribution expenses of RMB435.3 million, representing a decrease of 17.3% and administrative expenses of RMB163.8 million, representing a decrease of 8.5%.
- Strong cash reserves to support the Group's business expansion: as at 31 December 2022, the total amount of cash, cash equivalents and various bank deposits of the Group amounted to RMB2,359.5 million.
- Looking forward, the Group will continue to strengthen the multi-brand, multi-category and full-channel strategy, together with our product innovation and upgrading, form a technological shield, continue to create competitive products in various categories and channels, and improve channel profitability, to drive higher profitability for the Group in a long run.

FINAL DIVIDEND

- The Board resolved to declare the payment of a final dividend of RMB0.0220 per Share (equivalent to HK\$0.0251 per Share) for the year ended 31 December 2022. The interim dividend of RMB0.0168 per Share (equivalent to HK\$0.0192 per Share) was paid. Total dividend for the year amounted to RMB0.0388 per Share, representing a dividend payout ratio of approximately 80%.

The board (the “**Board**”) of directors (the “**Directors**”) of Cheerwin Group Limited (the “**Company**”) is pleased to announce the audited consolidated results (“**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022. The Annual Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In 2022, various uncontrollable factors such as resurgence of the pandemic and extreme weather 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 factors such as reduced passenger flow, marketing activities and constraints on supply of goods, the expansion of distribution 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 pandemic 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 in 2022, being our leading product category; 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 2022, the Group recorded revenue of RMB1,442.2 million, representing a decrease of 18.5%; the Group's gross profit margin was 41.6%, representing a decrease of 2.9 percentage points; the Group's net profit was RMB64.1 million, representing a decrease of 29.4%. On the other hand, during the reporting period, the Group has adopted effective cost management strategies throughout the product cycle from production, logistics and distribution, and has implemented stringent financial management policies to mitigate potential financial risks. As a result, in 2022, the Group recorded selling and distribution expenses of RMB435.3 million, representing a decrease of 17.3%; whereas the administrative expenses was RMB163.8 million, representing a decrease of 8.5%.

The breakdown of revenue by product categories are as follows:

- For the pet products category, revenue for the year ended 31 December 2022 was RMB76.9 million, representing an increase of 46.1% as compared to the year ended 31 December 2021;
- For the household care products category, which includes household repellent and insecticide products, household cleaning and air care products, revenue for the year ended 31 December 2022 was RMB1,296.9 million, representing a decrease of 19.4% as compared to the year ended 31 December 2021; and
- For the personal care products category, revenue for the year ended 31 December 2022 was RMB64.3 million, representing a decrease of 36.2% as compared to the year ended 31 December 2021.

The breakdown of revenue by sales channels are as follows:

- For online channels, revenue for the year ended 31 December 2022 was RMB496.5 million, representing an increase of 16.4% as compared to the year ended 31 December 2021; and
- For offline channels, which comprises offline distributors, retail channel (Liby Channel) corporate and institutional customers, overseas distributors and OEM business, revenue for the year ended 31 December 2022 was RMB945.7 million, representing a decrease of 29.6% as compared to the year ended 31 December 2021.

In 2022, the following effective measures were implemented by the Group to proactively mitigate the market challenges and maintain business momentum:

- **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 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), Vewin Moliguojing (威王魔力果淨) high-end household cleaners series, 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 Naughty Mouth 985 staple food cans (倔強嘴巴985主食罐頭), 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.
- **Offline sales 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) and shelf banners with an aim to improve the promotion efficiency of our resources input.
- **Online sales channels:** 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 for our pet product business, we have organized an offline sale team and expanded the distribution of pet products.
- **Strategic development:** we have enhanced the supply chain, research and development and talent layout of our pet medicine and health care products business, through our strategic investment in Wuhan Zhongbo Lvya Biotechnology Limited (武漢中博綠亞生物科技有限公司).

The Group has 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 categories, 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 eight consecutive years from 2015 to 2022.

Business Outlook

In 2023, the Group will continue to strengthen the multi-brand, multi-category and full-channel strategy, together with our product innovation and upgrading, form a technological shield, continue to create competitive products in various categories and channels, and improve channel profitability. In addition, the Group 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 Group will also establish comprehensive independent offline distribution channels for pet and personal care products to achieve the sustainable development of the Group.

Looking forward, the Group will focus in the following growth strategies:

- Expansion of household cleaning business: We will further improve the product planning of household cleaning products, accelerate the distribution and promotion of Vewin Moliguojing (威王魔力果淨) high-end household cleaners series, 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;
- Breakthrough in online channels: Maintaining the rapid development of emerging online channels such as Douyin, JD.com, Pinduoduo, and Kuaisou (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;
- Further in-depth development of offline channels: We will optimize and reform the organizational structure of the offline sales system. We will continue to promote product distribution and expansion and further consolidate the leading position of offline distribution channels;

- 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; improve the overall input-output ratio, and improve the profitability of various channels and categories; 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 domestic and foreign pet and fast-moving consumer goods (FMCG) industries, speed up the pace of merger and acquisition, and target quality projects with stable cash flow, clear profit model and business development space;
- Expansion to upstream research and development business segment: We plan to further strengthen the Group's ability to incubate signature products in multi-category by expanding our reach to the upstream scientific and technological research business segment through acquisitions if such appropriate acquisition target is identified, with an aim to shorten the research and development cycle of our potential cosmetic products, maternal and infant care, personal care and pet categories; and
- Implementation of dividend policy: A high-proportion and stable annual dividend policy to maximize shareholders' returns.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
	NOTES	2022 RMB'000	2021 RMB'000
Revenue	3	1,442,194	1,769,157
Cost of sales		<u>(842,386)</u>	<u>(981,731)</u>
Gross profit		599,808	787,426
Other income	4	75,977	65,483
Other gains and losses	5	9,818	(15,897)
Impairment losses (recognised) reversed in respect of trade receivables, net of reversal		(675)	310
Selling and distribution expenses		(435,254)	(526,389)
Administrative expenses		(163,763)	(179,001)
Finance costs	6	(863)	(1,613)
Listing expenses		<u>–</u>	<u>(10,030)</u>
Profit before tax		85,048	120,289
Income tax expense	7	(20,963)	(29,524)
Profit for the year	8	64,085	90,765
<i>Other comprehensive income (expense)</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		105,806	(18,232)
Total comprehensive income for the year		<u>169,891</u>	<u>72,533</u>
Profit (loss) for the year attributable to:			
– Owners of the Company		64,730	92,093
– Non-controlling interests		(645)	(1,328)
		<u>64,085</u>	<u>90,765</u>
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		170,501	73,888
– Non-controlling interests		(610)	(1,355)
		<u>169,891</u>	<u>72,533</u>
Earnings per share			
– Basic (RMB cents)	10	<u>4.85</u>	<u>7.25</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		As at 31 December	
		2022	2021
	NOTES	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		163,961	172,900
Right-of-use assets		23,609	22,215
Intangible assets		11,645	–
Goodwill		3,925	–
Deposits paid for acquisition of property, plant and equipment		618	2,818
Financial asset at fair value through profit or loss (“FVTPL”)		146,031	66,900
Deferred tax assets		68,064	54,134
		<u>417,853</u>	<u>318,967</u>
CURRENT ASSETS			
Inventories		319,177	340,442
Trade and other receivables	11	97,216	70,996
Tax recoverable		6,876	12,527
Amounts due from related parties		14,410	11,562
Other financial assets at amortised cost		357,910	–
Time deposits		1,455,986	715,329
Bank balances and cash		903,500	1,952,827
		<u>3,155,075</u>	<u>3,103,683</u>
CURRENT LIABILITIES			
Trade and other payables	12	414,807	419,529
Contract liabilities		243,719	169,066
Amounts due to related parties		66,548	76,765
Lease liabilities		6,202	5,517
Income tax payables		3,200	7,122
		<u>734,476</u>	<u>677,999</u>
NET CURRENT ASSETS		<u>2,420,599</u>	<u>2,425,684</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,838,452</u>	<u>2,744,651</u>

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	10,412	9,392
Deferred tax liabilities	8,270	–
	<u>18,682</u>	<u>9,392</u>
NET ASSETS	<u>2,819,770</u>	<u>2,735,259</u>
CAPITAL AND RESERVES		
Share capital	2	2
Reserves	2,812,471	2,733,759
	<u>2,812,473</u>	<u>2,733,761</u>
Equity attributable to owners of the Company	7,297	1,498
Non-controlling interests	<u>2,819,770</u>	<u>2,735,259</u>
TOTAL EQUITY	<u>2,819,770</u>	<u>2,735,259</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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 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 2022.

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.

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 Group’s annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments 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

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 Amendments to IFRS 3 *Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB 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 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 in the current year has had no impact on the Group’s consolidated financial statements.

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

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

(i) Disaggregation of revenue

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue by types of products		
Household care (<i>Note i</i>)	1,296,901	1,608,309
Personal care	64,283	100,817
Pet products	76,943	52,662
Others (<i>Note ii</i>)	4,067	7,369
Total	1,442,194	1,769,157
Timing of revenue recognition		
At a point in time	1,442,194	1,769,157

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.

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

As at 31 December 2022, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB243,719,000 (2021: RMB169,066,000). The amounts were equivalent to the contract liabilities as at 31 December 2022 and 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 31 December 2022 and 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 (“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 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	
	2022	2021
	RMB'000	RMB'000
Customer A (<i>Note</i>)	199,064	270,427

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

4. **OTHER INCOME**

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (<i>Note</i>)	19,541	37,993
Bank interest income	45,350	19,613
Interest income from other financial assets at amortised cost	2,715	–
Investment income from financial assets at FVTPL	7,925	6,792
Others	446	1,085
	75,977	65,483

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

5. **OTHER GAINS AND LOSSES**

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Losses on disposal/write-off of property, plant and equipment	(70)	(3)
Donations (<i>Note</i>)	(3,555)	(2,960)
Foreign exchange losses, net	(7,988)	(12,934)
Gain on changes in fair value of financial assets at FVTPL	21,431	–
	9,818	(15,897)

Note: During the year ended 31 December 2022, the Group made a donation of disinfectant and relevant anti-epidemic products and pet products with carrying value of RMB2,886,000 (2021: RMB2,960,000) to donees and charity organisations in the PRC.

6. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expense on lease liabilities	863	801
Interest expense on bank borrowing	–	812
	<u>863</u>	<u>1,613</u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax (“EIT”):		
Current tax	29,659	47,695
Overprovision in prior year	(114)	(1,350)
	<u>29,545</u>	<u>46,345</u>
Deferred tax	(8,582)	(16,821)
	<u>20,963</u>	<u>29,524</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 years, except for those described below.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Anfu Cheerwin Rihua Company Limited (“Anfu Cheerwin”) has been qualified as a New and Hi-Tech Enterprise and entitled to a preferential tax rate of 15% from 2019 to 2024 granted by the local tax authority.

8. PROFIT FOR THE YEAR

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	15,937	18,811
Other staff costs:		
Salaries and other allowances	128,111	137,899
Contributions to retirement benefits scheme	11,249	7,584
Share-based payment expenses	728	1,695
	<hr/>	<hr/>
Total staff costs	156,025	165,989
	<hr/>	<hr/>
Depreciation of property, plant and equipment	24,486	24,859
Amortisation of intangible assets	39	–
Depreciation of right-of-use assets	7,577	5,692
	<hr/>	<hr/>
Total depreciation	32,102	30,551
Less: capitalised in inventories	(5,377)	(5,013)
	<hr/>	<hr/>
	26,725	25,538
	<hr/>	<hr/>
Auditors' remuneration	3,109	3,087
Research and development costs (included in administrative expenses)	32,318	11,113
Cost of inventories recognised as an expense	843,689	984,321
	<hr/>	<hr/>

9. DIVIDENDS

During the current year, 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 (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 current year amounted to approximately RMB73,733,000 (2021: RMB58,667,000).

During the current year, an interim dividend of RMB0.0168 per ordinary share (equivalent to HK\$0.0192 per ordinary share) in respect of the six months ended 30 June 2022 (2021: nil in respect of the six months ended 30 June 2021) was declared and paid to owners of the Company. The aggregate amount of the interim dividend declared and paid in the current year amounted to approximately RMB22,400,000.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB0.0220 per ordinary share (equivalent to HK\$0.0251 per ordinary share), in an aggregate amount of RMB29,333,000 has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<u>64,730</u>	<u>92,093</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>1,270,320</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 for both 2022 and 2021 since the grant date of those share options.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	22,246	6,663
Less: Allowance for credit losses	(943)	(546)
	<u>21,303</u>	<u>6,117</u>
Prepayments for purchase of raw materials	10,336	9,434
Prepaid promotion service expenses	4,528	6,630
Other tax recoverables	49,291	32,027
Receivables from payment intermediaries (<i>Note a</i>)	978	1,268
Other receivables (<i>Note b</i>)	10,780	15,520
	<u>97,216</u>	<u>70,996</u>

Notes:

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

Trade receivables

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately RMB15,876,000.

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. Credit 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	
	2022	2021
	RMB'000	RMB'000
Within 30 days	12,934	4,460
31–60 days	6,863	1,657
61–90 days	1,506	–
	<u>21,303</u>	<u>6,117</u>

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	177,243	216,133
Accrued sales rebates (<i>Note</i>)	166,034	127,087
Other accrued expenses	29,547	24,626
Accrued staff payroll and welfare	27,417	30,279
Construction costs payables	3,213	1,283
Other tax payables	6,679	11,573
Other payables	4,674	2,653
Accrued issued costs and listing expenses	–	5,895
	<u>414,807</u>	<u>419,529</u>

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

Trade payables

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	95,129	123,941
31–60 days	46,536	55,125
61–90 days	18,845	19,456
Over 90 days	16,733	17,611
	<u>177,243</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 18.5% from RMB1,769.2 million for the year ended 31 December 2021 to RMB1,442.2 million for the year ended 31 December 2022. The decrease in our revenue was caused by various uncontrollable factors such as resurgence of the pandemic and extreme weather, 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

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Household Care ⁽¹⁾	1,296,901	89.9	1,608,309	90.9
Personal Care	64,283	4.5	100,817	5.7
Pet Products	76,943	5.3	52,662	3.0
Others ⁽²⁾	4,067	0.3	7,369	0.4
Total	<u>1,442,194</u>	<u>100.0</u>	<u>1,769,157</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 19.4% from RMB1,608.3 million for the year ended 31 December 2021 to RMB1,296.9 million for the year ended 31 December 2022.

Our revenue from personal care products decreased by 36.2% from RMB100.8 million for the year ended 31 December 2021 to RMB64.3 million for the year ended 31 December 2022.

Our revenue from pet products increased by 46.1% from RMB52.7 million for the year ended 31 December 2021 to RMB76.9 million for the year ended 31 December 2022.

Revenue by sales channel

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Online Channels ⁽¹⁾	496,529	34.4	426,618	24.1
Offline Channels ⁽²⁾	945,665	65.6	1,342,539	75.9
Total	1,442,194	100.0	1,769,157	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 16.4% from RMB426.6 million for the year ended 31 December 2021 to RMB496.5 million for the year ended 31 December 2022.

Revenue from offline channels decreased by 29.6% from RMB1,342.5 million for the year ended 31 December 2021 to RMB945.7 million for the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 23.8% from RMB787.4 million for the year ended 31 December 2021 to RMB599.8 million for the year ended 31 December 2022. Our overall gross profit margin has slightly decreased from 44.5% for the year ended 31 December 2021 to 41.6% for the year ended 31 December 2022.

Gross profit and gross profit margin by product categories

	Year ended 31 December			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Household Care ⁽¹⁾	542,900	41.9	705,717	43.9
Personal Care	23,412	36.4	48,523	48.1
Pet Products	34,013	44.2	30,570	58.0
Others ⁽²⁾	(517)	(12.7)	2,616	35.5
Total	599,808	41.6	787,426	44.5

Notes:

- (1) Household care products 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 global turbulence and the epidemic, the continuous rise in the prices of raw materials and packaging materials, coupled with the impact of changes in the Company's business structure, which has also boosted up the Company's production costs in the year ended 31 December 2022, in particular:

Our gross profit of household care products for the year ended 31 December 2022 was RMB542.9 million, whereas the gross profit margin has decreased from 43.9% for the year ended 31 December 2021 to 41.9% for the year ended 31 December 2022.

Our gross profit of personal care products for the year ended 31 December 2022 was RMB23.4 million, whereas the gross profit margin has decreased from 48.1% for the year ended 31 December 2021 to 36.4% for the year ended 31 December 2022.

Our gross profit of pet products for the year ended 31 December 2022 was RMB34.0 million, whereas the gross profit margin has decreased from 58.0% for the year ended 31 December 2021 to 44.2% for the year ended 31 December 2022.

Gross profit and gross profit margin by sales channels

	Year ended 31 December			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Online Channels ⁽¹⁾	233,465	47.0	221,097	51.8
Offline Channels ⁽²⁾	366,343	38.7	566,329	42.2
Total	599,808	41.6	787,426	44.5

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 year ended 31 December 2022 was RMB233.5 million, whereas the gross profit margin has decreased from 51.8% for the year ended 31 December 2021 to 47.0% for the year ended 31 December 2022.

Our gross profit of offline channels for the year ended 31 December 2022 was RMB366.3 million, whereas the gross profit margin has decreased from 42.2% for the year ended 31 December 2021 to 38.7% for the year ended 31 December 2022.

Other Income

Our other income increased by 16.0% from RMB65.5 million for the year ended 31 December 2021 to RMB76.0 million for the year ended 31 December 2022 primarily due to increase in bank interests over the same period. Our other income as a percentage of our total revenue increased from 3.7% for the year ended 31 December 2021 to 5.3% for the year ended 31 December 2022.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 17.3% from RMB526.4 million for the year ended 31 December 2021 to RMB435.3 million for the year ended 31 December 2022, primarily attributable to the improvement in the efficiency of the Company's sales management and the decline in the overall revenue scale.

Administrative Expenses

Our administrative expenses decreased by 8.5% from RMB179.0 million for the year ended 31 December 2021 to RMB163.8 million for the year ended 31 December 2022, partially attributable to the improvement in the efficiency of the Company's management.

Other Gains and Losses

We recorded other gains of RMB9.8 million for the year ended 31 December 2022, as compared to other losses of RMB15.9 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) and Wuhan Zhongbo Lvya Biotechnology Limited (武漢中博綠亞生物科技股份有限公司).

Finance Costs

Our finance costs decreased from RMB1.6 million for the year ended 31 December 2021 to RMB0.9 million for the year ended 31 December 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 tax decreased by 29.3% from RMB120.3 million for the year ended 31 December 2021 to RMB85.0 million for the year ended 31 December 2022.

Income Tax Expense

Our income tax expense decreased by 29.0% from RMB29.5 million for the year ended 31 December 2021 to RMB21.0 million for the year ended 31 December 2022, primarily due to decrease in our net profit. Our effective tax rate remained relatively stable at 24.5% and 24.6%, respectively, for the year ended 31 December 2021 and 2022, 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 decreased by 29.4% from RMB90.8 million for the year ended 31 December 2021 to RMB64.1 million for the year ended 31 December 2022. Our net profit margin decreased slightly from 5.1% for the year ended 31 December 2021 to 4.4% for the year ended 31 December 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 year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	64,085	90,765
Adjustments for:		
One-time charity donations	3,555	2,960
Listing expenses	—	10,030
Adjusted net profit	67,640	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 inflow for the year ended 31 December 2022 was RMB66.8 million, as compared to net operating cash outflow of RMB191.9 million for the year ended 31 December 2021, resulting from our profit before tax of RMB85.0 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid.

Capital Expenditures

Our capital expenditures decreased from RMB58.0 million for the year ended 31 December 2021 to RMB24.7 million for the year ended 31 December 2022. Our capital expenditures were used primarily for the purchase 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 31 December 2022, we had RMB2,359.5 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 0.6% as at 31 December 2022, primarily due to the increase of right-of-use assets and lease liabilities.

Significant Investments Held

The Group maintains a portfolio of investments which generate steady income with potential of capital appreciation. Save as the subscription of the short-term interest-bearing instruments of indebtedness issued by Zhongtai Financial International Limited (中泰金融國際有限公司) as set out in the announcement of the Company dated 25 November 2022, the Group did not hold other significant investments for the year ended 31 December 2022 which constitutes a fair value of 5% or above of the total assets of the Group as at 31 December 2022.

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

For the year ended 31 December 2022, the Group continued to conduct any material acquisitions or disposals.

In addition, the Group plans and further strengthen the Group's competitiveness by expanding our reach to the upstream scientific and technological research business segment through acquisitions if such appropriate acquisition target is identified, with an aim to shorten the research and development cycle of our potential new products. Such acquisitions are expected to be financed by the Group's internal resources.

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**") and in this announcement, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses.

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 31 December 2022 and 31 December 2021.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Human Resources

As at 31 December 2022, the number of employees of the Group was 904 as compared to 873 as at 31 December 2021. The total cost of staff, including basic salary and wages, social insurance and bonus, for the year ended 31 December 2022 was RMB156.0 million as compared to RMB166.0 million for the same period in 2021. The decrease was mainly attributable to the impact of a decline in business performance in 2022, and the Company did not pay incentive bonuses to employees.

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)	Unutilized net amount as at 1 January 2022 (RMB million)	Actual net amount utilised for the year ended 31 December 2022 (RMB million)	Actual net amount utilised up to 31 December 2022 (RMB million)	Unutilised net amount as at 31 December 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	154.7	18.1	35.2	136.6	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	0	0	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	0	0	65.3	Expected to be fully utilised by the end of 2026
Further develop online distribution channels	10.0%	241.9	214.5	59.2	86.6	155.3	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	110.9	7.1	17.1	103.8	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	0	0	120.9	Expected to be fully utilised by the end of 2026
Enhance our market penetration in lower-tier cities	5.0%	120.9	112.9	0.6	8.6	112.3	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	206.6	32.5	67.8	174.1	Expected to be fully utilised by the end of 2026

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilized net amount as at 1 January 2022 (RMB million)	Actual net amount utilised for the year ended 31 December 2022 (RMB million)	Actual net amount utilised up to 31 December 2022 (RMB million)	Unutilised net amount as at 31 December 2022 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Establish overseas supply chain to improve our cost advantage for our overseas operations	1.5%	36.3	36.3	0	0	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	0	0	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	0	0	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	238.5	2.1	5.5	236.4	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	295.9	71.7	138.6	224.2	Expected to be fully utilised by the end of 2026
Working capital and other general corporate purposes	10.0%	241.9	241.9	0	0	241.9	Expected to be fully utilised by the end of 2026
Total	100.0%	2,418.8	2,250.7	191.3	359.4	2,059.4	

As at 31 December 2022, the remaining proceeds of approximately RMB2,059.4 million (equivalent to approximately HK\$2,305.5 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 banks with Chinese-funded background as at 31 December 2022.

FINAL DIVIDEND

The Board resolved to declare the payment of a final dividend of RMB0.0220 per Share (equivalent to HK\$0.0251 per Share) for the year ended 31 December 2022 (year ended 31 December 2021: RMB0.0553). The interim dividend of RMB0.0168 per Share (equivalent to HK\$0.0192 per Share) was paid. Total dividend for the year amounted to RMB0.0388 per Share, representing a dividend payout ratio of approximately 80%.

The Board recommended the payment of a final dividend of RMB0.0220 per Share, on or around Friday, 7 July 2023 to the shareholders of the Company (the “**Shareholder(s)**”) whose names appear on the register of members of the Company on Monday, 26 June 2023.

The final dividend shall be declared in RMB and paid in Hong Kong dollars. The final 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 Friday, 17 March 2023 to Thursday, 23 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 June 2023 to Monday, 19 June 2023, 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 Tuesday, 13 June 2023.

The register of members of the Company will also be closed on Monday, 26 June 2023 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 Friday, 23 June 2023.

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 year ended 31 December 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 year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the year ended 31 December 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), Mr. Guo Sheng and Dr. Yu Rong, 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 audited consolidated financial statements of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cheerwin.com. The annual report of the Company for the year ended 31 December 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, 24 March 2023

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. Yu Rong, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan as independent non-executive Directors.