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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)

CONNECTED TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN GUANGDONG ZHONGKEYAN

THE ACQUISITION

On 24 March 2023, Guangzhou Cheerwin, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Shanghai Xingaozi, pursuant to which Guangzhou Cheerwin has agreed to acquire, and Shanghai Xingaozi has agreed to sell, the Target Equity Interests at a consideration of RMB5,035,632.00.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Xingaozi was directly owned as to 65.0% by Mr. KX Chen and 35.0% by Mr. KC Chen, respectively. Mr. KX Chen and Mr. KC Chen are the founders and the controlling shareholders of the Company, and interested in approximately 74.25% of the issued Shares, therefore Mr. KX Chen, Mr. KC Chen and Shanghai Xingaozi are connected persons of the Company under the Listing Rules. Accordingly, the entering into the Sale and Purchase Agreement with Shanghai Xingaozi constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the Acquisition (on both a stand-alone basis and when aggregate with the Previous Acquisition) are more than 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

The Board announces that, on 24 March 2023, Guangzhou Cheerwin, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Shanghai Xingaozi, pursuant to which Guangzhou Cheerwin has agreed to acquire, and Shanghai Xingaozi has agreed to sell, the Target Equity Interests at a consideration of RMB5,035,632.00.

The Principal Terms of the Acquisition

Date	:	24 March 2023 (after trading hours)
Parties	:	(1) Guangzhou Cheerwin (the Purchaser); (2) Shanghai Xingaozi (the Vendor); and (3) Guangdong Zhongkeyan (collectively the “ Parties ”).
Subject matter	:	Pursuant to the Sale and Purchase Agreement, Guangzhou Cheerwin has agreed to acquire and Shanghai Xingaozi has agreed to sell the Target Equity Interests.
Consideration and payment conditions	:	RMB5,035,632.00, which shall be settled by way of bank transfer within 10 business days after the satisfaction (or otherwise waiver) of the conditions set out below.

The consideration of the Acquisition was arrived at after arm’s length negotiations between the Purchaser and the Vendor with reference to and taking into account the appraised value of Guangdong Zhongkeyan of RMB5,035,632.00 as at 31 December 2022 assessed by an independent professional valuer which was based on the net assets value of Guangdong Zhongkeyan as at 31 December 2022.

The consideration shall be financed by internal resources of the Group.

The payment of the consideration is conditional upon the satisfaction or otherwise waiver by Guangzhou Cheerwin of the following conditions:

- (1) the Sale and Purchase Agreement, the new articles of association or amendments to the articles of association of Guangdong Zhongkeyan and other relevant transaction documents as stipulated in the Sale and Purchase Agreement having been duly executed by the Parties with all necessary authorizations or approvals obtained;
- (2) all relevant registration in respect of the Acquisition at the competent Market Supervision and Regulation Bureau having been completed in accordance with the relevant laws and regulations, reflecting Guangzhou Cheerwin as the holder of 100% equity interests of Guangdong Zhongkeyan, and the new business license having been obtained;
- (3) the Target Equity Interests being free from any mortgages, charges and other encumbrances;
- (4) Guangdong Zhongkeyan's assets and account books being complete and accurate, and all company seals, invoices, licenses, contracts or agreements, reports, approval documents, meeting minutes, resolutions and other documents of Guangdong Zhongkeyan being complete and properly kept;
- (5) up until the settlement date, (i) Shanghai Xingaozi and Guangdong Zhongkeyan having complied with the applicable PRC laws and regulations; (ii) all undertakings, declarations, representations and/or warranties of Shanghai Xingaozi and Guangdong Zhongkeyan in the Sale and Purchase Agreement remaining true, accurate and complete, with no false statements or material omissions and are not misleading; (iii) the undertakings, declarations, representations and/or warranties of Shanghai Xingaozi and Guangdong Zhongkeyan in the Sale and Purchase Agreement having been duly complied with or performed; and (iv) there are no material adverse impacts on the assets, business, operation, finance and other aspects of Guangdong Zhongkeyan arising from any circumstances attributable to Shanghai Xingaozi; and

- (6) the Acquisition not being prohibited nor restricted by any laws, regulations and/or policies, and there exists no material adverse impact on the Acquisition arising from any laws, regulations and/or policies.

Completion : The relevant registrations in respect of, among other, transfer of the Target Equity Interests, and the change in shareholding of Guangdong Zhongkeyan at the competent Market Supervision and Regulation Bureau in accordance with the relevant laws and regulations shall be completed within 10 days upon the signing of the Sale and Purchase Agreement, and the date of issuance of the new business license of Guangdong Zhongkeyan shall be deemed as the completion date of the Acquisition.

Guarantee/Security : No guarantee or security is given or required as part of or in connection with the Acquisition.

INFORMATION ABOUT THE PARTIES TO THE ACQUISITION

Information of the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The Group principally engages in development and manufacturing of a variety of household care, pet products and personal care products. The Purchaser, Guangzhou Cheerwin, is an indirectly wholly-owned subsidiary of the Company, and principally engages in the investment holding business.

Information of Shanghai Xingaozi

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Xingaozi is a company established under the laws of the PRC with limited liability and primarily engages in the production, manufacturing and sales of cosmetic products. As at the date of this announcement, it was directly owned as to 65.0% by Mr. Chen Kaixuan (陳凱旋) (“**Mr. KX Chen**”) and 35.0% by Mr. Chen Kaichen (陳凱臣) (“**Mr. KC Chen**”) respectively.

Information of Guangdong Zhongkeyan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangdong Zhongkeyan is a company established under the laws of the PRC with limited liability and primarily engages in scientific analysis, research and testing of cosmetic products, maternal and infant care products, personal care products and pet products. As at the date of this announcement, it is a wholly-owned subsidiary of Shanghai Xingaozi.

Set out below is a summary of the unaudited financial information of Guangdong Zhongkeyan for the years ended 31 December 2021 and 31 December 2022:

	For the year ended 31 December 2021 RMB'000 (unaudited)	For the year ended 31 December 2022 RMB'000 (unaudited)
Revenue	5,371	4,621
Net profit before tax	1,432	1,577
Net profit after tax	1,364	1,523

The unaudited net asset value of Guangdong Zhongkeyan as at 31 December 2022 was approximately RMB5,036,000.00.

Based on the information provided by Shanghai Xingaozi, Guangdong Zhongkeyan was established by Shanghai Xingaozi with a registered capital of RMB10.00 million on 19 December 2017, and as at the date of this announcement, RMB1.00 million had been paid up.

Upon completion of the Acquisition, Guangdong Zhongkeyan will become an indirect wholly-owned subsidiary of the Company and the financial results of Guangdong Zhongkeyan will be consolidated into the Group's financial results.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Directors believes that the Acquisition of the entire equity interest in Guangdong Zhongkeyan can further strengthen the Group's competitiveness in terms of its scientific and technological research. Given the experience of Guangdong Zhongkeyan in scientific analysis, research and testing of cosmetic products, maternal and infant care products, personal care products and pet products and its extensive experience in development signature products, it is well-equipped with advanced and established research models, databases and facilities for new products development. Therefore, Guangdong Zhongkeyan can provide strong support and consolidate the foundation of the Group's abilities in upstream research and development for its signature products. Leveraging on the expertise of Guangdong Zhongkeyan, the Directors believe that it could help to shorten the research and development cycle and facilitate the process of commercial launch of potential new products by the Group, hence better equip the Group for its business development.

In view of the above, the Directors (excluding the Directors who have abstained from voting but including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the Acquisition is in the best interest of the Company and the Shareholders as a whole. Two of the Directors, Ms. Chen Danxia (being the daughter of Mr. KC Chen) and Mr. Chen Zexing (being the son of Mr. KX Chen) have abstained from voting on the relevant resolutions of the Board approving the Sale and Purchase Agreement and the Acquisition. Save as disclosed in this announcement, none of the other Directors has any material interest in the transaction, and hence no other Directors are required to abstain from voting on such resolutions of the Board.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Xingaozi was directly owned as to 65.0% by Mr. KX Chen and 35.0% by Mr. KC Chen, respectively. Mr. KX Chen and Mr. KC Chen are the founders and the controlling shareholders of the Company, and interested in approximately 74.25% of the issued Shares, therefore Mr. KX Chen, Mr. KC Chen and Shanghai Xingaozi are connected persons of the Company under the Listing Rules. Accordingly, the entering into the Sale and Purchase Agreement with Shanghai Xingaozi constitute a connected transaction of the Company.

In January 2023, the Group, through its subsidiaries namely Anfu Cheerwin Rihua Company Limited* (安福超威日化有限公司) and Guangzhou Cheerwin Biotechnology Company Limited* (廣州超威生物科技有限公司), acquired certain research equipment and machinery from Shanghai Xingaozi, the Vendor, at a consideration of RMB1,404,835.00, for the purpose of conducting product research and development (the “**Previous Acquisition**”). The consideration was determined after arm’s length negotiations between the parties after considering the market price and existing condition of the relevant research equipment and machinery.

For the avoidance of doubt, none of the applicable percentage ratios in respect of the Previous Acquisition exceed 5% and the total consideration was less than HK\$3,000,000, as such, it is exempt from the relevant disclosure requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition (on both a stand-alone basis and when aggregate with the Previous Acquisition) are more than 0.1% but all are less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Target Equity Interests by Guangzhou Cheerwin pursuant to the Sale and Purchase Agreement dated 24 March 2023;
“Board”	the board of Directors;
“Company”	Cheerwin Group Limited (朝雲集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6601);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guangdong Zhongkeyan”	Guangdong Zhongkeyan Cosmetic Technology Research Company Limited* (廣東中科研化妝品技術研究有限公司), a company established under the laws of the PRC with limited liability on 19 December 2017;
“Guangzhou Cheerwin” or “Purchaser”	Guangzhou Cheerwin Holding Company Limited* (廣州朝雲控股有限公司), a company established under the laws of the PRC with limited liabilities on 19 October 2018;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 March 2023 entered into between the Guangzhou Cheerwin, Shanghai Xingaozi and Guangdong Zhongkeyan in relation to the Acquisition;
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of US\$0.0000002 each;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shanghai Xingaozi”	Shanghai Xingaozi Cosmetics Company Limited* (上海新高姿化妝品有限公司), a company established under the laws of the PRC with limited liability on 2 August 2006;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Equity Interests”	100% of the equity interests of Guangdong Zhongkeyan; and
“%”	per cent.

In this announcement, the terms “associate”, “connected person”, “controlling shareholder”, “percentage ratios” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
Cheerwin Group Limited
Chen Danxia

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 27 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.

* *For identification purposes only.*