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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 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change (%) (unaudited and restated)
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited and restated)	
Revenue	1,132,761	1,023,180	10.7
Gross profit	467,781	400,511	16.8
Profit before tax	174,078	122,955	41.6
Profit for the period	135,700	89,427	51.7
Earnings per share			
– Basic (cents)	10.24	6.72	52.4

OPERATING HIGHLIGHTS

In the first half of 2023, an overall improvement on the Group's business has been noted:

- Our revenue increased by 10.7% from RMB1,023.2 million for the six months ended 30 June 2022 to RMB1,132.8 million for the Reporting Period, benefited from the 41.1% and 10.8% year-on-year increase in revenue generated from pets and pet products, and household care products respectively.
- Riding on the recovery of the COVID-19 epidemic and lifting of the quarantine measures, the Group's overall performance has gradually improved, and sales through the offline channels have showed a steady growth, achieving an increase of 5.5% in revenue in the Reporting Period as compared to the six months ended 30 June 2022; and thanks to the growth of the platforms such as Douyin (抖音), Kuaishou (快手), etc., and the Group's several direct marketing and distribution channels, the revenue generated from online channels has also increased by 25.0% in the Reporting Period as compared to the six months ended 30 June 2022.
- The Group adhered to the business principle of prudence, and has implemented effective cost management measures to ensure a steady generation of revenue and a continued stability of cash flow and profits. Our net profit has increased by 51.7% from RMB89.4 million for the six months ended 30 June 2022 to RMB135.7 million in the six months ended 30 June 2023.
- Our gross profit margin has increased by 2.2 percentage points, benefited from to the continuous optimization of the Group's product category structure and supply chain management.
- Adequate cash reserves: as at 30 June 2023, the total amount of cash, cash equivalents and various bank deposits of the Group amounted to RMB2,465.6 million.

INTERIM DIVIDEND

- The Board resolved to declare the payment of an interim dividend of RMB0.0410 per Share (equivalent to HK\$0.0447 per Share) for the six months ended 30 June 2023, and the dividend payout ratio increased to 40.0% for the six months ended 30 June 2023 (dividend payout ratio for the six months ended 30 June 2022: 25.0%).

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 2023 (the “**Reporting Period**”). 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 2023, riding on the recovery of the COVID-19 epidemic and lifting of the quarantine measures, the Group's overall business performance has gradually improved, with a steady growth in offline channel sales and a rapid growth in online channel sales. We continue to optimize the product category structure and supply chain management to further improve the overall gross profit margin; we adhered to the business principle of prudence, and has implemented effective cost management measures to ensure a steady generation of revenue and a continued stability of cash flow and profits.

As a result, in the first half of 2023, the Group recorded revenue of RMB1,132.8 million, representing a year-on-year increase of 10.7%; the Group's gross profit margin was 41.3%, representing a year-on-year increase of 2.2 percentage points; the Group's net profit was RMB135.7 million, representing a year-on-year increase of 51.7%.

The breakdown of revenue by product categories are as follows:

- For household care products category, which includes household insecticide and repellent products, household cleaning and air care products, revenue for the Reporting Period was RMB1,043.9 million, representing an increase of 10.8% as compared to the six months ended 30 June 2022;
- For the pets and pet products category, revenue for the Reporting Period was RMB45.2 million, representing an increase of 41.1% as compared to the six months ended 30 June 2022; and
- For the personal care products category, revenue for the Reporting Period was RMB42.6 million, representing a decrease of 3.9% as compared to the six months ended 30 June 2022.

The breakdown of revenue by sales channels are as follows:

- For online channels, revenue for the Reporting Period was RMB341.3 million, representing an increase of 25.0% as compared to the six months ended 30 June 2022; and
- For offline channels, which comprises offline distributors, corporate and institutional customers, overseas distributors and retail channel (Liby Channel), etc., revenue for the Reporting Period was RMB791.5 million, representing an increase of 5.5% as compared to the six months ended 30 June 2022.

In the first half of 2023, the following effective measures were implemented by the Group to proactively mitigate the market challenges and maintain business momentum:

- Brand and product category: we continuously enhance our brand power, maintain our top brand strength in the categories of insecticides and mosquito repellents, and household cleaning products. We have launched differentiated, highly effective, and with healthy ingredients product categories, created multiple high-margin key products; we have been simultaneously upgrading the existing product lines and developing new products with high profit margins, gradually optimizing the product structure, further enhancing the profitability of the Group.
- 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 multicategory 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 channels on JD.com, Pinduoduo (拼多多) and Taobao (淘寶) and developed our business with social community base and sales channels such as Douyin (抖音) and Kuaishou (快手) rapidly to realise growth.

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 2023.

Business Outlook

In the second half of 2023, the Group will continue to strengthen the multi-brand, multi-category and full-channel strategy, together with our product innovation and upgrading, to form a technological shield and a channel 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 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 marketing promotion of both the online and offline channels, and promote the distribution and advance the progress of our promotion scheme, Vewin Qianzhen Wandian (威王千鎮萬店), increase the gross profit margin of household cleaning business, and expand the high-end household cleaning market;
- Expansion of pet business: with the setup of our offline stores for the pets and pet products, the Group aims to accommodate both its high-quality internal resources and external resources acquired via strategic investments and mergers and acquisitions, which led to a rapid development of a shield for our pet and pet product segment;
- 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;
- Further in-depth development of offline channels: by optimizing and reforming 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, and technological reform, etc., with the aim of enhancing our cost competitiveness;
- Technology research and development improvement: through the acquisition of Guangdong Zhongkeyan Cosmetic Technology Research Company Limited* (廣東中科研化妝品技術研究有限公司), the Group will integrate its expertise in research & development and product testing, and continue to maintain its leading ability of technological research and development in the industry;
- 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; and
- Implementation of dividend policy: a high-proportion and stable annual dividend policy to maximize the Company's shareholders' returns.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
	<i>NOTES</i>	2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited and restated)
Revenue	3	1,132,761	1,023,180
Cost of sales		(664,980)	(622,669)
Gross profit		467,781	400,511
Other income		53,812	29,342
Other gains and losses	4	3,268	6,675
Impairment losses under expected credit loss model, net of reversal		(938)	(1,928)
Selling and distribution expenses	5	(264,799)	(238,532)
Administrative expenses		(84,581)	(72,703)
Finance costs	6	(465)	(410)
Profit before tax		174,078	122,955
Income tax expense	7	(38,378)	(33,528)
Profit for the period	8	135,700	89,427
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		39,276	54,215
Total comprehensive income for the period		174,976	143,642
Profit (loss) for the period attributable to:			
Owners of the Company		136,502	89,658
Non-controlling interests		(802)	(231)
		135,700	89,427
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		175,670	143,858
Non-controlling interests		(694)	(216)
		174,976	143,642
Earnings per share			
Basic (RMB cents)	10	10.24	6.72

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>NOTES</i>	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited and restated)
Non-current assets			
Property, plant and equipment		160,840	163,963
Right-of-use assets		23,123	23,609
Intangible assets		11,486	11,645
Goodwill		3,925	3,925
Interests in an associate		1,500	–
Deposits paid for acquisition of property, plant and equipment		171	618
Financial assets at fair value through profit or loss (“FVTPL”)		146,031	146,031
Deferred tax assets		79,973	68,064
		427,049	417,855
Current assets			
Inventories		148,001	319,177
Trade and other receivables	11	117,999	97,231
Tax recoverable		–	6,876
Amounts due from related parties		70,620	14,410
Other financial assets at amortised cost		251,216	357,910
Time deposits		1,696,239	1,455,986
Bank balances and cash		769,326	908,714
		3,053,401	3,160,304
Current liabilities			
Trade and other payables	12	364,719	415,200
Contract liabilities		42,509	243,719
Dividend payable		30,821	–
Amounts due to related parties		38,237	66,548
Lease liabilities		7,102	6,202
Income tax payables		10,397	3,240
		493,785	734,909
Net current assets		2,559,616	2,425,395
Total assets less current liabilities		2,986,665	2,843,250

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited and restated)
Non-current liabilities		
Lease liabilities	8,842	10,412
Deferred tax liabilities	8,229	8,270
	<u>17,071</u>	<u>18,682</u>
Net assets	<u>2,969,594</u>	<u>2,824,568</u>
Capital and reserves		
Share capital	2	2
Reserves	2,962,989	2,817,269
	<u>2,962,991</u>	<u>2,817,271</u>
Equity attributable to owners of the Company	2,962,991	2,817,271
Non-controlling interests	6,603	7,297
	<u>2,969,594</u>	<u>2,824,568</u>
Total equity	<u>2,969,594</u>	<u>2,824,568</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Cheerwin Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as 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.

Merger accounting for business combination involving a subsidiary under common control

On 24 March 2023, Guangzhou Cheerwin Holding Company Limited (“**Guangzhou Cheerwin**”), an wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement (the “**agreement**”) with Shanghai Xingaozi Cosmetic Co., Limited (“**Shanghai Xingaozi**”). Pursuant to the agreement, Guangzhou Cheerwin would acquire 100% equity interests in Guangdong Zhongkeyan Cosmetics Technology Research Co., Limited (“**Guangdong Zhongkeyan**”) from Shanghai Xingaozi at a cash consideration of RMB5,035,632.00 (the “**Acquisition**”).

Shanghai Xingaozi is ultimately owned by Mr. Chen Kaixuan and Mr. Chen Kaichen, the controlling shareholders of the Company, therefore, the Acquisition was considered as a business combination under common control. The acquisition of Guangdong Zhongkeyan was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”) issued by the HKICPA. The Group and Guangdong Zhongkeyan are regarded as continuing entities.

Under merger accounting, based on the guidance set out in AG 5, the condensed consolidated financial information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to merger reserve in the consolidated statement of changes in equity.

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2022, and the consolidated statement of financial position as at 31 December 2022 have been restated as a result of adoption of merger accounting for the above business combination under common control.

- (i) Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022:

	The Group (before business combination under common control) RMB'000 (originally stated)	Business combination of entities under common control RMB'000	Consolidated RMB'000 (unaudited and restated)
Revenue	1,021,635	1,545	1,023,180
Cost of sales	(621,252)	(1,417)	(622,669)
Gross Profit	400,383	128	400,511
Other income	29,325	17	29,342
Other gains and losses	6,675	–	6,675
Impairment losses under expected credit loss model, net of reversal	(1,928)	–	(1,928)
Selling and distribution expenses	(238,532)	–	(238,532)
Administrative expenses	(72,653)	(50)	(72,703)
Finance costs	(410)	–	(410)
Profit before tax	122,860	95	122,955
Income tax expense	(33,525)	(3)	(33,528)
Profit for the period	<u>89,335</u>	<u>92</u>	<u>89,427</u>
Profit (loss) for the period attributable to:			
Owners of the Company	89,566	92	89,658
Non-controlling interests	(231)	–	(231)
Profit for the period	<u>89,335</u>	<u>92</u>	<u>89,427</u>

(ii) Effect on the condensed consolidated statement of financial position as at 31 December 2022:

	The Group (before business combination under common control) RMB'000 (originally stated)	Business combination of entities under common control RMB'000	Adjustments RMB'000	Consolidated RMB'000 (audited and restited)
Non-current assets				
Property, plant and equipment	163,961	2	–	163,963
Right-of-use assets	23,609	–	–	23,609
Deposits paid for acquisition of property, plant and equipment	618	–	–	618
Deferred tax assets	68,064	–	–	68,064
Intangible assets	11,645	–	–	11,645
Goodwill	3,925	–	–	3,925
Financial assets at fair value through profit or loss (“FVTPL”)	146,031	–	–	146,031
	<u>417,853</u>	<u>2</u>	<u>–</u>	<u>417,855</u>
Current assets				
Inventories	319,177	–	–	319,177
Trade and other receivables	97,216	15	–	97,231
Tax Recoverable	6,876	–	–	6,876
Amounts due from related parties	14,410	–	–	14,410
Other financial assets at amortised cost	357,910	–	–	357,910
Time deposits	1,455,986	–	–	1,455,986
Bank balances and cash	903,500	5,214	–	908,714
	<u>3,155,075</u>	<u>5,229</u>	<u>–</u>	<u>3,160,304</u>
Current Liabilities				
Trade and other payables	414,807	393	–	415,200
Contract liabilities	243,719	–	–	243,719
Amounts due to related parties	66,548	–	–	66,548
Lease liabilities	6,202	–	–	6,202
Income tax payables	3,200	40	–	3,240
	<u>734,476</u>	<u>433</u>	<u>–</u>	<u>734,909</u>
Net current assets	<u>2,420,599</u>	<u>4,796</u>	<u>–</u>	<u>2,425,395</u>
Total assets less current Liabilities	<u>2,838,452</u>	<u>4,798</u>	<u>–</u>	<u>2,843,250</u>

	The Group (before business combination under common control) RMB'000 (originally stated)	Business combination of entities under common control RMB'000	Adjustments RMB'000	Consolidated RMB'000 (audited and restated)
Non-current Liabilities				
Lease liabilities	10,412	–	–	10,412
Deferred tax liabilities	8,270	–	–	8,270
	<u>18,682</u>	<u>–</u>	<u>–</u>	<u>18,682</u>
Net assets	<u>2,819,770</u>	<u>4,798</u>	<u>–</u>	<u>2,824,568</u>
Capital and reserves				
Share capital	2	1,000	(1,000)	2
Reserves	2,812,471	3,798	1,000	2,817,269
Equity attributable to owners of the Company	2,812,473	4,798	–	2,817,271
Non-controlling interests	7,297	–	–	7,297
Total equity	<u>2,819,770</u>	<u>4,798</u>	<u>–</u>	<u>2,824,568</u>

(iii) The impact of restatement on the Group's equity as of 31 December 2021 is summarised as follows:

	The Group (before business combination under common control) RMB'000 (originally stated)	Business combination of entities under common control RMB'000	Adjustments RMB'000 <i>Note</i>	Consolidated RMB'000 (audited and restated)
Share capital	2	1,000	(1,000)	2
Share premium	2,465,311	–	–	2,465,311
Capital reserve	30,115	–	–	30,115
Translation reserve	(18,199)	–	–	(18,199)
Merger reserve	(21,030)	–	1,000	(20,030)
Share based payments reserve	7,097	–	–	7,097
Statutory reserve	30,430	–	–	30,430
Retained profits	240,035	2,427	–	242,462
	<u>2,733,761</u>	<u>3,427</u>	<u>–</u>	<u>2,737,188</u>
Non-controlling interests	1,498	–	–	1,498
Total equity	<u>2,735,259</u>	<u>3,427</u>	<u>–</u>	<u>2,738,686</u>

Note: The adjustments represent the reclassification of reserves to conform with the presentation of the Group's condensed consolidated financial statements.

- (iv) The impact of restatement on the Group's basic earnings per share for the six months ended 30 June 2022 is as follows:

	Six months ended 30 June 2022 <i>RMB cents</i> (unaudited)
Earnings per share	
Basic	6.72
Adjustments arising from the business combination under common control	—
	<hr/>
Basic (Restated)	<u>6.72</u>

- (v) The impact of restatement on the cash flow of the Group for the six months ended 30 June 2022 is summarized as follows:

	Six months ended 30 June 2022 <i>RMB'000</i> (unaudited)
Increase in net cash used in operating activities	212
Increase in cash used in investing activities	—
Increase in cash used in financing activities	—
	<hr/>
Increase in cash and cash equivalents at the end of period	<u>212</u>

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 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 Group's annual periods beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited and restated)
Revenue by types of products or services		
Household care (<i>Note i</i>)	1,043,854	941,996
Personal care	42,596	44,343
Pets and pet products	45,243	32,065
Others (<i>Note ii</i>)	1,068	4,776
Total	<u>1,132,761</u>	<u>1,023,180</u>
Timing of revenue recognition		
At a point in time	<u>1,132,761</u>	<u>1,023,180</u>

Notes:

- (i) Household care included household insecticides and repellents, household cleaning and air care products.
- (ii) Others included numerous household supplies, appliances, other products and testing services and 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 2023, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB42,509,000 (unaudited) (31 December 2022: RMB243,719,000 (audited)). The amounts were equivalent to the contract liabilities as at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022 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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Customer A (<i>Note</i>)	145,774	151,784

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Gains/(losses) on disposal of property, plant and equipment	76	(51)
Donations	(150)	(2,371)
Foreign exchange gains/(losses), net	3,342	(1,527)
Gain on fair value changes of financial assets at FVTPL	–	10,624
	3,268	6,675

5. SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Staff costs	45,508	34,529
Promotion expenses	42,625	42,483
E-commerce channel promotion expenses	91,057	64,358
Advertising service expenses	19,646	38,278
Transportation and storage expenses	56,677	51,292
Marketing expenses	8,784	7,254
Others	502	338
	264,799	238,532

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Interest expense on lease liabilities	<u>465</u>	<u>410</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Enterprise Income Tax (“EIT”):		
Current tax	50,328	48,988
Deferred tax	<u>(11,950)</u>	<u>(15,460)</u>
	<u>38,378</u>	<u>33,528</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.

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 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 PERIOD

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited and restated)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (<i>Note i</i>):		
– Directors' remuneration	9,792	6,321
Other staff costs:		
– Salaries and other allowances	79,505	65,237
– Contributions to retirement benefits scheme	6,043	5,685
	95,340	77,243
Depreciation of property, plant and equipment	12,733	12,374
Depreciation of right-of-use assets	4,608	3,352
Amortisation of intangible assets	159	–
	17,500	15,726
Less: capitalised in inventories	(3,341)	(2,720)
	14,159	13,006
Auditor's remuneration	1,626	1,420
Research and development costs (included in administrative expenses)	14,081	9,925
Cost of inventories recognised as an expense (<i>Note ii</i>)	663,194	622,665
	663,194	622,665

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited and restated)
Staff costs included in cost of inventories	9,053	9,218
Selling and distribution expenses	45,508	34,529
Administrative expenses	40,779	33,496
	95,340	77,243

- (ii) Amount included allowance for inventories of approximately RMB1,786,000 (unaudited) (six months ended 30 June 2022: RMB4,000 (unaudited)).

9. DIVIDENDS

During the current interim period, a final dividend of RMB0.0220 per ordinary share (equivalent to HK\$0.0251 per ordinary share) in respect of the year ended 31 December 2022 (six months ended 30 June 2022: RMB0.0553 per ordinary share (equivalent to HK\$0.0680 per ordinary share) in respect of the year ended 31 December 2021) was declared to owners of the Company. The aggregate amount of the final dividend amounted to approximately RMB29,333,000 (six months ended 30 June 2022: RMB73,733,000) was paid on 7 July, 2023.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.0410 per ordinary share (equivalent to HK\$0.0447 per ordinary share) amounting to RMB54,667,000 in aggregate (six months ended 30 June 2022: RMB0.0168 per ordinary share (equivalent to HK\$0.0192 per ordinary share) amounting to RMB22,400,000 in aggregate) will be paid to owners of the Company whose names appear in the Register of Members on 19 September 2023.

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	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	<u>136,502</u>	<u>89,658</u>
	No. of Shares	No. of Shares
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,333,334</u>	<u>1,333,334</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 six months ended 30 June 2023 and 2022 since the grant date of those share options.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited and restated)
Trade receivables	44,284	22,246
Less: Allowance for credit losses	(1,881)	(943)
	42,403	21,303
Prepayments for purchase of raw materials	11,046	10,336
Prepaid promotion service expenses	15,423	4,528
Other tax recoverables	34,081	49,291
Receivables from payment intermediaries (<i>Note a</i>)	3,636	978
Other receivables (<i>Note b</i>)	11,410	10,795
	117,999	97,231

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

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 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited and restated)
Within 30 days	30,161	12,934
31 –60 days	7,603	6,863
61 – 90 days	3,245	1,506
91 – 120 days	1,394	–
	<u>42,403</u>	<u>21,303</u>

As at 30 June 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB12,242,000 (unaudited) (31 December 2022: RMB8,369,000 (audited)) which are past due as at the reporting date. In particular, for trade receivable past due as at 30 June 2023, carrying amount of approximately RMB3,512,000 (unaudited) (31 December 2022: RMB4,267,000 (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.

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 2023, the Group recognised credit loss allowance of approximately RMB938,000 (unaudited) (six months ended 30 June 2022: RMB1,928,000 (unaudited)) for trade receivables.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited and restated)
Trade payables	117,523	177,243
Accrued sales rebates (<i>Note</i>)	123,072	166,034
Other accrued expenses	59,096	29,547
Accrued staff payroll and welfare	30,347	27,753
Construction costs payables	3,533	3,213
Other tax payables	21,762	6,735
Other payables	9,386	4,675
	<u>364,719</u>	<u>415,200</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 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited and restated)
Within 30 days	32,585	95,129
31 – 60 days	58,105	46,536
61 – 90 days	17,912	18,845
Over 90 days	8,921	16,733
	<u>117,523</u>	<u>177,243</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) pets and pet products; and (iv) others to customers through our omni-channel sales and distribution network. Our revenue is stated net of allowances for returns, sales discounts, rebates and value-added tax.

Our revenue increased by 10.7% from RMB1,023.2 million for the six months ended 30 June 2022 to RMB1,132.8 million for the six months ended 30 June 2023. The increase was attributable to the Group's success in capturing market opportunities and actively promoting the rapid development of product categories and sales channels.

Revenue by product categories

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000 (restated)	% (restated)
Household Care ⁽¹⁾	1,043,854	92.1	941,996	92.1
Personal Care	42,596	3.8	44,343	4.3
Pets and Pet Products	45,243	4.0	32,065	3.1
Others ⁽²⁾	1,068	0.1	4,776	0.5
Total	1,132,761	100.0	1,023,180	100.0

Notes:

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

Our revenue from household care products increased by 10.8% from RMB942.0 million for the six months ended 30 June 2022 to RMB1,043.9 million for the six months ended 30 June 2023.

Our revenue from personal care products decreased by 3.9% from RMB44.3 million for the six months ended 30 June 2022 to RMB42.6 million for the six months ended 30 June 2023.

Our revenue from pets and pet products increased by 41.1% from RMB32.1 million for the six months ended 30 June 2022 to RMB45.2 million for the six months ended 30 June 2023.

Revenue by sales channels

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000 (restated)	% (restated)
Online Channels ⁽¹⁾	341,297	30.1	273,005	26.7
Offline Channels ⁽²⁾	791,464	69.9	750,175	73.3
Total	1,132,761	100.0	1,023,180	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 etc..

Revenue from online channels increased by 25.0% from RMB273.0 million for the six months ended 30 June 2022 to RMB341.3 million for the six months ended 30 June 2023.

Revenue from offline channels increased by 5.5% from RMB750.2 million for the six months ended 30 June 2022 to RMB791.5 million for the six months ended 30 June 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 16.8% from RMB400.5 million for the six months ended 30 June 2022 to RMB467.8 million for the six months ended 30 June 2023. Our overall gross profit margin remained relatively stable at 39.1% and 41.3% for the six months ended 30 June 2022 and 2023, respectively, slightly increased by 2.2 percentage points.

Gross profit and gross profit margin by product categories

	Six months ended 30 June			
	2023		2022	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000 (restated)	Gross Profit Margin % (restated)
Household Care ⁽¹⁾	429,954	41.2	365,883	38.8
Personal Care	18,161	42.6	17,441	39.3
Pets and Pet Products	20,551	45.4	16,073	50.1
Others ⁽²⁾	(885)	(82.9)	1,114	23.3
Total	467,781	41.3	400,511	39.1

Notes:

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

With respect to the gross profit margin, primarily due to the continuous optimization of the product category structure and supply chain management.

Our gross profit of household care products for the six months ended 30 June 2023 was RMB430.0 million, whereas the gross profit margin has increased from 38.8% for the six months ended 30 June 2022 to 41.2% for the six months ended 30 June 2023.

Our gross profit of personal care products for the six months ended 30 June 2023 was RMB18.2 million, whereas the gross profit margin has increased from 39.3% for the six months ended 30 June 2022 to 42.6% for the six months ended 30 June 2023.

Our gross profit of pets and pet products for the six months ended 30 June 2023 was RMB20.6 million, whereas the gross profit margin has decreased from 50.1% for the six months ended 30 June 2022 to 45.4% for the six months ended 30 June 2023.

Gross profit and gross profit margin by sales channels

	Six months ended 30 June		2022	
	2023			2022
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%
			(restated)	(restated)
Online Channels ⁽¹⁾	164,235	48.1	130,851	47.9
Offline Channels ⁽²⁾	303,546	38.4	269,660	35.9
Total	467,781	41.3	400,511	39.1

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 etc..

Our gross profit of online channels for the six months ended 30 June 2023 was RMB164.2 million, whereas the gross profit margin has increased from 47.9% for the six months ended 30 June 2022 to 48.1% for the six months ended 30 June 2023.

Our gross profit of offline channels for the six months ended 30 June 2023 was RMB303.5 million, whereas the gross profit margin has increased from 35.9% for the six months ended 30 June 2022 to 38.4% for the six months ended 30 June 2023.

Other Income

Our other income increased by 83.4% from RMB29.3 million for the six months ended 30 June 2022 to RMB53.8 million for the six months ended 30 June 2023 primarily due to increase in bank interests over the same period. Our other income as a percentage of our total revenue increased from 2.9% for the six months ended 30 June 2022 to 4.8% for the six months ended 30 June 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 11.0% from RMB238.5 million for the six months ended 30 June 2022 to RMB264.8 million for the six months ended 30 June 2023, primarily attributable to the impact of the increase in the Company's overall revenue scale, which was in line with the growth of our business.

Administrative Expenses

Our administrative expenses increased by 16.3% from RMB72.7 million for the six months ended 30 June 2022 to RMB84.6 million for the six months ended 30 June 2023, primarily attributable to the increase in business related compliance costs and labor costs, including salaries and travel expenses.

Other Gains and Losses

We recorded other gains of RMB3.3 million for the six months ended 30 June 2023, as compared to other gains of RMB6.7 million for the same period in 2022, primarily relating to the fair value change of the Company's investments and the impact of exchange rate fluctuations.

Finance Costs

Our finance costs remain relatively stable at RMB0.4 million and RMB0.5 million for the six months ended 30 June 2022 and for the six months ended 30 June 2023, respectively.

Profit before Tax

As a result of the foregoing, our profit before income tax increased by 41.6% from RMB123.0 million for the six months ended 30 June 2022 to RMB174.1 million for the six months ended 30 June 2023.

Income Tax Expense

Our income tax expense increased by 14.5% from RMB33.5 million for the six months ended 30 June 2022 to RMB38.4 million for the six months ended 30 June 2023, primarily due to the increase in profit before tax. Our effective tax rate decreased from 27.3% for the six months ended 30 June 2022 to 22.0% for the six months ended 30 June 2023, mainly due to the fact that one of our subsidiaries has completed the qualification renewal process as a high-tech enterprise in the second half of 2022, and therefore enjoyed a preferential income tax rate of 15% since then.

Profit for the Period

As a result of the foregoing, our profit increased by 51.7% from RMB89.4 million for the six months ended 30 June 2022 to RMB135.7 million for the same period in 2023. Our net profit margin increased from 8.7% for the six months ended 30 June 2022 to 12.0% for the six months ended 30 June 2023.

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. 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. 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	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Profit for the period	135,700	89,427
Adjustments for:		
One-time charity donations	150	2,371
Adjusted net profit	<u>135,850</u>	<u>91,798</u>

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

Operating Cash Flows

Net operating cash outflow for the six months ended 30 June 2023 was RMB74.0 million, as compared to net operating cash outflow of RMB172.6 million for the six months ended 30 June 2022, resulting from our profit before tax of RMB174.1 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid.

Capital Expenditures

Our capital expenditures increased from RMB13.0 million for the six months ended 30 June 2022 to RMB14.4 million for the six months ended 30 June 2023. 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 2023, we had RMB2,465.6 million in cash and cash equivalents and time deposits, most of which were denominated in RMB.

Gearing Ratio

The gearing ratio decreased from 0.6% as at 31 December 2022 to 0.5% as at 30 June 2023, primarily due to the decrease in the Group's 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 which constitutes a fair value of 5% or above of the total assets of the Group as at 31 December 2022 and 30 June 2023 respectively.

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 2023, 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 2023 and 31 December 2022.

Contingent Liabilities

As at 30 June 2023, the Group had no significant contingent liabilities.

Human Resources

As at 30 June 2023, the number of employees of the Group was 909 as compared to 877 as at 30 June 2022. The total cost of staff, including basic salary and wages, social insurance and bonus, for the six months ended 30 June 2023 increased to RMB95.3 million, as compared to RMB77.2 million for the same period in 2022. The increase is primarily due to the increase in the number of employees in the Group's newly acquired business, the growth in the overall Group business, and the increase 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)	Unutilised net amount as at 31 December 2022 (RMB million)	Actual net amount utilised during the Reporting Period (RMB million)	Actual net amount utilised up to 30 June 2023 (RMB million)	Unutilised net amount as at 30 June 2023 (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	136.6	4.2	39.4	132.4	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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilised net amount as at 31 December 2022 (RMB million)	Actual net amount utilised during the Reporting Period (RMB million)	Actual net amount utilised up to 30 June 2023 (RMB million)	Unutilised net amount as at 30 June 2023 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
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	155.3	50.0	136.6	105.3	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	103.8	2.0	19.1	101.8	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	112.3	0	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	174.1	14.3	82.1	159.8	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	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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilised net amount as at 31 December 2022 (RMB million)	Actual net amount utilised during the Reporting Period (RMB million)	Actual net amount utilised up to 30 June 2023 (RMB million)	Unutilised net amount as at 30 June 2023 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
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	236.4	1.3	6.8	235.1	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	224.2	1.5	140.1	222.7	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	2,059.4	73.3	432.7	1,986.1	

As at 30 June 2023, the remaining proceeds of approximately RMB1,986.1 million (equivalent to approximately HK\$2,154.2 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 2023.

INTERIM DIVIDEND

The Board resolved to declare the payment of an interim dividend of RMB0.0410 per Share (equivalent to HK\$0.0447 per Share) for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB0.0168 per Share), and the dividend payout ratio increased to 40% for the six months ended 30 June 2023 (dividend payout ratio for the six months ended 30 June 2022: 25.0%), on or around Thursday, 12 October 2023 to the shareholders of the Company (the “**Shareholder(s)**”) whose names appear on the register of members of the Company on Tuesday, 19 September 2023.

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 Monday, 21 August 2023 to Friday, 25 August 2023.

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, 15 September 2023 to Tuesday, 19 September 2023, 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, 14 September 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 six months ended 30 June 2023, 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 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30 June 2023, 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 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 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

By order of the Board
Cheerwin Group Limited
Chen Danxia

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 28 August 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.*