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 2023

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2023	**2022**	Change
	RMB'000	***RMB'000***	*(%)*
		(restated)	
Revenue	**1,615,585**	**1,446,638**	11.7
Gross profit	**718,258**	**601,374**	19.4
Profit before tax	**217,266**	**86,473**	151.3
Profit for the year	**172,817**	**65,456**	164.0
Earnings per share			
– Basic and diluted (RMB cents)	**13.13**	**4.96**	164.7

OPERATING HIGHLIGHTS

- Our revenue increased by 11.7% from RMB1,446.6 million for the year ended 31 December 2022 to RMB1,615.6 million for year ended 31 December 2023.

- After the recovery of the COVID-19 epidemic, the Group's overall performance has gradually improved, and sales through the offline channels have showed a rapid growth, achieving an increase of 12.2% in revenue during the reporting period as compared to the year ended 31 December 2022; and thanks to the growth of the platforms such as Douyin (抖音), etc., and the Group's several direct marketing and distribution channels, the revenue generated from online channels has also increased by 10.7% for the year ended 31 December 2023 as compared to the year ended 31 December 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 164.0% from RMB65.5 million for the year ended 31 December 2022 to RMB172.8 million for the year ended 31 December 2023.

- Our gross profit margin has increased by 2.9 percentage points, benefited from the continuous optimization of the Group's product category structure and supply chain reform.

- Adequate cash reserves: as at 31 December 2023, the total amount of cash, cash equivalents and various bank deposits of the Group amounted to RMB2,901.3 million.

FINAL DIVIDEND

- The Board resolved to declare the payment of a final dividend of RMB0.0640 per Share (equivalent to HK$0.0705 per Share) for the year ended 31 December 2023. The interim dividend of RMB0.0410 per Share (equivalent to HK$0.0447 per Share) was paid. Total dividend for the year amounted to RMB0.1050 per Share, representing a dividend payout ratio of approximately 80.0%.

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 2023. The Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In 2023, after the recovery of the COVID-19 epidemic, the Group's overall business performance has gradually improved, with a rapid growth in both online and offline channel sales. We continue to optimize the product category structure and reform our supply chain 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.

The breakdown of revenue by product categories are as follows:

- 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 2023 was RMB1,471.9 million, representing an increase of 13.5% as compared to the year ended 31 December 2022;

- For the pets and pet products category, revenue for the year ended 31 December 2023 was RMB77.3 million, representing an increase of 0.5% as compared to the year ended 31 December 2022; and

- For the personal care products category, revenue for the year ended 31 December 2023 was RMB61.4 million, representing a decrease of 4.6% as compared to the year ended 31 December 2022.

The breakdown of revenue by sales channels are as follows:

- For offline channels, which comprises offline distributors, retail channel (Liby Channel) corporate and institutional customers, overseas distributors and OEM business, etc., revenue for the year ended 31 December 2023 was RMB1,065.9 million, representing an increase of 12.2% as compared to the year ended 31 December 2022; and

- For online channels, revenue for the year ended 31 December 2023 was RMB549.6 million, representing an increase of 10.7% as compared to the year ended 31 December 2022.

In 2023, the Group took the following measures by refocusing on customer value and capitalizing on market opportunities:

- 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) rapidly to realise growth.

- The Group has continued to restructure its product categories, and increased the percentage of those with high profit margins. We have kept consolidating our brand power, especially as a leading brand for insecticide, mosquito repellent and household cleaning products. We have launched differentiated and highly effective product categories with healthy ingredients, and created multiple high-margin key products. Meanwhile, we have been upgrading the existing product lines and developing new products with high profit margins, gradually optimising the product structure, and further enhancing the profitability of the Group.

- We have actively promoted the rapid development of online and offline sales channels and enhanced marketing efficiency. For offline sales channels, we have been stepping up the distribution of products with high gross profits, improving the quality of distribution outlets, reinforcing the market foundation and expanding the 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. Besides, our personal care products and air care products are promoted in a special marketing 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. As for online sales channels, we have been cultivating our channels on JD.com, Pinduoduo (拼多多) and Taobao (淘寶), and have been developing our business with social community base and sales channels such as Douyin (抖音) rapidly to realise growth.

- We have continued to reform the supply chain by staffing our organisation with specialized and young talents; lean production management has been implemented in our own and outsourced factories, through which the Group's operating performance and profitability has been improved as a whole.

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 nine consecutive years from 2015 to 2023.

Business Outlook

In 2024, 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 care business: we will further refine our household care product portfolio to increase the gross margins, promote the distribution coverage of household cleaning products, and develop the high-end household cleaning market; we aim to continue the upgrading of insecticide and mosquito repellent products, and accelerate online and offline marketing;

- Expansion of pet business: we will continue to promote the development of pet business and established the business moat of its pets and pet products through strategic investment, consolidation and optimization of such business via mergers and acquisitions, accelerated expansion of offline pet stores and development of hit pet food and related products;

- Breakthrough in online channels: we will maintain the branding and market position on JD.com and Taobao, speed up the development of emerging online channels such as Douyin and Pinduoduo, further consolidate our leading position and business moat in terms of the core competitiveness of our various product categories and enhance the profitability from our e-commerce segment;

- Further in-depth development of offline channels: we will reinforce the distribution of the entire product portfolio, expand the marketing of products with high gross profits so as to further consolidate our leading position in offline distribution channels;

- Cost reduction and efficiency enhancement management: we will step up the supply chain reform to reduce costs, keep up with market conditions, and improve cost competitiveness through various measures such as centralised procurement and strategic cooperation, and technological innovation, etc;

- Technology research and development improvement: we will integrate internal and external R&D resources to propel technological innovation and product innovation in various product categories, and continue to enhance the know-how of its team to maintain its leading R&D capabilities 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	Year ended 31 December 2023 RMB'000	2022 RMB'000 (restated)
Revenue	3	**1,615,585**	1,446,638
Cost of sales		**(897,327)**	(845,264)
Gross profit		**718,258**	601,374
Other income	4	**123,471**	76,001
Other gains and losses	5	**(10,405)**	9,818
Impairment losses reversed (recognised) in respect of trade receivables, net of reversal		**49**	(675)
Selling and distribution expenses		**(425,033)**	(435,254)
Administrative expenses		**(188,071)**	(163,928)
Finance cost	6	**(1,003)**	(863)
Profit before tax		**217,266**	86,473
Income tax expense	7	**(44,449)**	(21,017)
Profit for the year	8	**172,817**	65,456
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**18,672**	105,806
Total comprehensive income for the year		**191,489**	171,262
Profit (loss) for the year attributable to:			
– Owners of the Company		**175,016**	66,101
– Non-controlling interests		**(2,199)**	(645)
		172,817	65,456
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**193,653**	171,872
– Non-controlling interests		**(2,164)**	(610)
		191,489	171,262
Earnings per share			
– Basic and diluted (RMB cents)	10	**13.13**	4.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
	NOTES	**2023**	2022
		RMB'000	*RMB'000*
			(restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**157,092**	163,963
Right-of-use assets		**33,758**	23,609
Intangible assets		**9,704**	11,645
Goodwill		**6,280**	3,925
Interest in an associate		**1,500**	–
Deposits paid for acquisition of property, plant and equipment		**173**	618
Financial assets at fair value through profit or loss ("**FVTPL**")		**136,143**	146,031
Time deposits		**272,447**	–
Deferred tax assets		**76,989**	68,064
		694,086	417,855
CURRENT ASSETS			
Inventories		**268,033**	319,177
Trade and other receivables	*11*	**87,632**	97,231
Tax recoverable		**836**	6,876
Amounts due from related parties		**12,800**	14,410
Other financial assets at amortised cost		**143,902**	357,910
Time deposits		**1,737,883**	1,455,986
Bank balances and cash		**890,973**	908,714
		3,142,059	3,160,304
CURRENT LIABILITIES			
Trade and other payables	*12*	**435,921**	415,200
Contract liabilities		**334,744**	243,719
Amounts due to related parties		**69,552**	66,548
Lease liabilities		**11,208**	6,202
Income tax payables		**16,318**	3,240
		867,743	734,909
NET CURRENT ASSETS		**2,274,316**	2,425,395
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,968,402**	2,843,250

	NOTES	As at 31 December 2023 RMB'000	2022 RMB'000 (restated)
NON-CURRENT LIABILITIES			
Lease liabilities		**16,812**	10,412
Deferred tax liabilities		**11,406**	8,270
Contingent consideration as liability at fair value through profit or loss		**2,712**	–
		30,930	18,682
NET ASSETS		**2,937,472**	2,824,568
CAPITAL AND RESERVES			
Share capital		**2**	2
Reserves		**2,927,363**	2,817,269
Equity attributable to owners of the Company		**2,927,365**	2,817,271
Non-controlling interests		**10,107**	7,297
TOTAL EQUITY		**2,937,472**	2,824,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION AND MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING BUSINESS UNDER COMMON CONTROL

1.1 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 2023.

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 and 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.

1.2 Merger accounting for business combination involving a subsidiary under common control

On 24 March 2023, Guangzhou Cheerwin Holding Company Limited ("**Guangzhou Cheerwin**"), a 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 agreed to acquire 100% equity interests in Guangdong Zhongkeyan Cosmetics Technology Research Co., Limited ("**Guangdong Zhongkeyan**") from Shanghai Xingaozi at a cash consideration of RMB5,036,000 (the "**Acquisition**"). Shanghai Xingaozi held 100% equity interests in Guangdong Zhongkeyan before the Acquisition. The consideration was fully paid on 6 April 2023.

Guangdong Zhongkeyan was ultimately owned by Mr. KX Chen and Mr. KC Chen, 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.

Under merger accounting, the consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs, and for any comparative periods disclosed, as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 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 (see below for the financial impacts).

(i) Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 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* (restated)
Revenue	1,442,194	4,444	1,446,638
Cost of sales	(842,386)	(2,878)	(845,264)
Gross Profit	599,808	1,566	601,374
Profit before tax	85,048	1,425	86,473
Income tax expense	(20,963)	(54)	(21,017)
Profit for the year	64,085	1,371	65,456

(ii) Effect on the 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*	**Consolidated** *RMB'000* (restated)
Non-current assets	417,853	2	417,855
Current assets	3,155,075	5,229	3,160,304
Current Liabilities	734,476	433	734,909
Net current assets	2,420,599	4,796	2,425,395
Total assets less current Liabilities	2,838,452	4,798	2,843,250

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

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 period beginning on 1 January 2023 for the preparation of the 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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

2.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of RMB3,724,000 and deferred tax liabilities of RMB3,724,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the 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, pets and pet products and other products in the PRC.

(i) Disaggregation of revenue

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Revenue by types of products		
Household care *(Note i)*	**1,471,917**	1,296,901
Personal care	**61,355**	64,283
Pets and pet products	**77,303**	76,943
Others *(Note ii)*	**5,010**	8,511
Total	**1,615,585**	1,446,638
Timing of revenue recognition		
At a point in time	**1,615,585**	1,446,638

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, 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 2023, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB334,744,000 (2022: RMB243,719,000). The amounts were equivalent to the contract liabilities as at 31 December 2023 and 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, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 31 December 2023 and 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 ("**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:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Customer A *(Note)*	**190,372**	203,268

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	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Government grants *(Note)*	**28,036**	19,564
Bank interest income	**73,805**	45,350
Interest income from other financial assets at amortised cost	**17,557**	2,715
Investment income from financial assets at FVTPL	**3,218**	7,925
Others	**855**	447
	123,471	76,001

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	
	2023	2022
	RMB'000	*RMB'000*
Gains (losses) on disposal/write-off of property, plant and equipment and right-of-use assets	**67**	(70)
Donations	**(850)**	(3,555)
Foreign exchange gains (losses), net	**408**	(7,988)
(Losses) gains on changes in fair value of financial assets at FVTPL	**(9,888)**	21,431
Others	**(142)**	–
	(10,405)	9,818

6. FINANCE COST

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expense on lease liabilities	**1,003**	863

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Enterprise Income Tax ("**EIT**"):		
Current tax	**55,170**	29,713
Overprovision in prior year	**(2,911)**	(114)
	52,259	29,599
Deferred tax	**(7,810)**	(8,582)
	44,449	21,017

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 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	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**16,616**	15,937
Other staff costs:		
Salaries and other allowances	**143,582**	130,710
Contributions to retirement benefits scheme	**12,153**	11,387
Share-based payment expenses	**1,134**	728
Total staff costs *(Note i)*	**173,485**	158,762
Depreciation of property, plant and equipment	**25,655**	24,490
Amortisation of intangible assets	**318**	39
Depreciation of right-of-use assets	**10,001**	7,577
Total depreciation	**35,974**	32,106
Less: capitalised in inventories	**(5,152)**	(5,377)
	30,822	26,729
Impairment losses recognised on goodwill and intangible assets included in		
– administrative expenses	**13,248**	–
Auditors' remuneration		
– audit services	**4,043**	3,109
– non-audit services	**1,721**	1,863
Research and development costs (included in administrative expenses)	**32,561**	32,318
Cost of inventories recognised as an expense *(Note ii)*	**895,558**	846,567

Notes:

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Staff costs included in cost of inventories	**18,870**	18,746
Selling and distribution expenses	**71,752**	57,986
Administrative expenses	**82,863**	82,030
	173,485	158,762

(ii) Amount included write-down of inventories of approximately RMB1,769,000 (2022: reversals of write-down of inventories of approximately RMB1,303,000).

9. DIVIDENDS

During the current year, 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 (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 and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the current year amounted to approximately RMB29,333,000 (2022: RMB73,733,000).

During the current year, an interim dividend of RMB0.0410 per ordinary share (equivalent to HK$0.0447 per ordinary share) in respect of the six months ended 30 June 2023 (2022: RMB0.0168 per ordinary share (equivalent to HK$0.0192 per ordinary share) in respect of the six months ended 30 June 2022) 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 RMB54,667,000 (six months ended 30 June 2022: RMB22,400,000).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.0640 per ordinary share (equivalent to HK$0.0705 per ordinary share), in an aggregate amount of RMB85,333,000 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	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**175,016**	66,101
	No. of Shares	No. of Shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,333,334**	1,333,334

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 year of 2023 and 2022 since the grant date of those share options.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Trade receivables	**16,510**	22,246
Less: allowance for credit losses	**(894)**	(943)
	15,616	21,303
Prepayments for purchase of raw materials	**7,137**	10,336
Prepaid promotion service expenses	**8,516**	4,528
Other tax recoverables	**41,639**	49,291
Receivables from payment intermediaries *(Note a)*	**3,882**	978
Other receivables *(Note b)*	**10,842**	10,795
	87,632	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

As at 1 January 2022, trade receivables from contracts with customers amounted to approximately RMB6,219,000 (restated).

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 30 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	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Within 30 days	**7,427**	12,934
31–60 days	**7,543**	6,863
61–90 days	**646**	1,506
	15,616	21,303

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Trade payables	**170,201**	177,243
Accrued sales rebates *(Note)*	**182,340**	166,034
Other accrued expenses	**31,820**	29,547
Accrued staff payroll and welfare	**32,086**	27,753
Construction costs payables	**3,810**	3,213
Other tax payables	**6,268**	6,735
Other payables	**9,396**	4,675
	435,921	415,200

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	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Within 30 days	**109,495**	95,129
31–60 days	**41,828**	46,536
61–90 days	**10,881**	18,845
Over 90 days	**7,997**	16,733
	170,201	177,243

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 11.7% from RMB1,446.6 million for the year ended 31 December 2022 to RMB1,615.6 million for the year ended 31 December 2023. The increase was attributable to that we have successfully captured the market opportunities and continued to drive the rapid development of our product categories, and also our online and offline sales channels.

Revenue by product categories

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000* (restated)	*%* (restated)
Household Care[1]	**1,471,917**	**91.1**	1,296,901	89.6
Personal Care	**61,355**	**3.8**	64,283	4.4
Pets and Pet Products	**77,303**	**4.8**	76,943	5.3
Others[2]	**5,010**	**0.3**	8,511	0.7
Total	**1,615,585**	**100.0**	1,446,638	100.0

Notes:

(1) Household Care included household insecticide and repellent products, household cleaning and air care products.

(2) Others included numerous household supplies, appliance, other products and testing services, and none of them accounted for a material portion individually.

Our revenue from household care products increased by 13.5% from RMB1,296.9 million for the year ended 31 December 2022 to RMB1,471.9 million for the year ended 31 December 2023.

Our revenue from pets and pet products increased by 0.5% from RMB76.9 million for the year ended 31 December 2022 to RMB77.3 million for the year ended 31 December 2023.

Our revenue from personal care products decreased by 4.6% from RMB64.3 million for the year ended 31 December 2022 to RMB61.4 million for the year ended 31 December 2023.

Revenue by sales channel

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000* (restated)	*%* (restated)
Online Channels[1]	**549,645**	**34.0**	496,529	34.3
Offline Channels[2]	**1,065,940**	**66.0**	950,109	65.7
Total	**1,615,585**	**100.0**	1,446,638	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 offline channels increased by 12.2% from RMB950.1 million for the year ended 31 December 2022 to RMB1,065.9 million for the year ended 31 December 2023.

Revenue from online channels increased by 10.7% from RMB496.5 million for the year ended 31 December 2022 to RMB549.6 million for the year ended 31 December 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 19.4% from RMB601.4 million for the year ended 31 December 2022 to RMB718.3 million for the year ended 31 December 2023. Our overall gross profit margin has increased from 41.6% for the year ended 31 December 2022 to 44.5% for the year ended 31 December 2023.

Gross profit and gross profit margin by product categories

	Year ended 31 December			
	2023		2022	
	Gross Profit *RMB'000*	**Gross Profit Margin** *%*	Gross Profit *RMB'000*	Gross Profit Margin *%*
Household Care[1]	**662,259**	**45.0**	542,900	41.9
Personal Care	**24,743**	**40.3**	23,412	36.4
Pets and Pet Products	**33,407**	**43.2**	34,013	44.2
Others[2]	**(2,151)**	**(42.9)**	1,049	12.3
Total	**718,258**	**44.5**	601,374	41.6

Notes:

(1) Household care products 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 our continuous restructuring of product categories and conducting the supply chain reform in the year ended 31 December 2023, in particular:

Our gross profit of household care products for the year ended 31 December 2023 was RMB662.3 million, whereas the gross profit margin has increased from 41.9% for the year ended 31 December 2022 to 45.0% for the year ended 31 December 2023.

Our gross profit of personal care products for the year ended 31 December 2023 was RMB24.7 million, whereas the gross profit margin has increased from 36.4% for the year ended 31 December 2022 to 40.3% for the year ended 31 December 2023.

Our gross profit of pets and pet products for the year ended 31 December 2023 was RMB33.4 million, whereas the gross profit margin has slightly decreased from 44.2% for the year ended 31 December 2022 to 43.2% for the year ended 31 December 2023.

Gross profit and gross profit margin by sales channels

	Year ended 31 December			
	2023		2022	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Online Channels[1]	**262,933**	**47.8**	233,465	47.0
Offline Channels[2]	**455,325**	**42.7**	367,909	38.7
Total	**718,258**	**44.5**	601,374	41.6

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 year ended 31 December 2023 was RMB262.9 million, whereas the gross profit margin has increased from 47.0% for the year ended 31 December 2022 to 47.8% for the year ended 31 December 2023.

Our gross profit of offline channels for the year ended 31 December 2023 was RMB455.3 million, whereas the gross profit margin has increased from 38.7% for the year ended 31 December 2022 to 42.7% for the year ended 31 December 2023.

Other Income

Our other income increased by 62.5% from RMB76.0 million for the year ended 31 December 2022 to RMB123.5 million for the year ended 31 December 2023 primarily due to the increase in our bank interest income. Our other income as a percentage of our total revenue increased from 5.3% for the year ended 31 December 2022 to 7.6% for the year ended 31 December 2023.

Selling and Distribution Expenses

Our selling and distribution expenses slightly decreased by 2.3% from RMB435.3 million for the year ended 31 December 2022 to RMB425.0 million for the year ended 31 December 2023, which was primarily due to the significant improvement of the efficiency on marketing expenses.

Administrative Expenses

Our administrative expenses increased by 14.7% from RMB163.9 million for the year ended 31 December 2022 to RMB188.1 million for the year ended 31 December 2023, which was mainly caused by impairment losses on goodwill and intangible assets, as well as increased expenses on professional services.

Other Gains and Losses

We recorded other losses of RMB10.4 million for the year ended 31 December 2023, as compared to other gains of RMB9.8 million for the same period in 2022, primarily due to the change in the valuation of the Group's investments and the impact of the exchange rate.

Finance Cost

Our finance cost remained relatively stable at approximately RMB0.9 million and RMB1.0 million for the year ended 31 December 2022 and 31 December 2023 respectively.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 151.3% from RMB86.5 million for the year ended 31 December 2022 to RMB217.3 million for the year ended 31 December 2023.

Income Tax Expense

Our income tax expense increased by 111.5% from RMB21.0 million for the year ended 31 December 2022 to RMB44.4 million for the year ended 31 December 2023, primarily due to the increase in our profit before tax. Our effective tax rate remained relatively stable at 24.3% and 20.5%, respectively, for the year ended 31 December 2022 and 2023, 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 being a qualified high-tech enterprise.

Profit for the Year

As a result of the foregoing, our profit increased by 164.0% from RMB65.5 million for the year ended 31 December 2022 to RMB172.8 million for the year ended 31 December 2023. Our net profit margin increased from 4.5% for the year ended 31 December 2022 to 10.7% for the year ended 31 December 2023.

Operating Cash Flows

Net operating cash inflow for the year ended 31 December 2023 was RMB326.9 million, as compared to net operating cash inflow of RMB71.7 million for the year ended 31 December 2022, resulting from our profit before tax of RMB217.3 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid.

Capital Expenditures

Our capital expenditures increased from RMB24.7 million for the year ended 31 December 2022 to RMB37.3 million for the year ended 31 December 2023. 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 2023, we had RMB2,901.3 million in cash and cash equivalents and time deposits, most of which were denominated in RMB.

Gearing Ratio

The gearing ratio (calculated using total interest bearing debt (consists of current and non-current lease liabilities) divided by total equity, multiplied by 100%) increased from 0.6% as at 31 December 2022 to 1.0% as at 31 December 2023, primarily due to the increase of right-of-use assets and lease liabilities.

Significant Investments Held

For the year ended 31 December 2023, the Group did not hold any significant investments.

Funding and Treasury Policy

The Group adopts a stable approach on its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

Material Acquisitions and Future Plans for Major Investment

The Group acquired 100% of the equity interests of Guangdong Zhongkeyan Cosmetic Technology Research Company Limited* (廣東中科研化妝品技術研究有限公司) ("**Guangdong Zhongkeyan**") on 27 March 2023. Guangdong Zhongkeyan specializes in scientific analysis, research and testing of cosmetic products, maternal and infant care products, personal care products and pet products. Please refer to the Company's announcement dated 27 March 2023 for further details of the acquisition.

The Group acquired 75.0% of the equity interests of Shenzhen Mileyun Information Technology Co., Ltd.* (深圳市米樂雲信息科技有限公司) ("**Shenzhen Mileyun**") on 21 September 2023. Shenzhen Mileyun is dedicated to sales of pets and pet products, pet foster care services, pet cleaning and grooming SPA. Please refer to the Company's announcement dated 22 September 2023 for further details of the acquisition.

Save as aforesaid, the Group did not conduct any material acquisitions or disposals.

The Group plans to 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 2023 and 31 December 2022.

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liabilities.

Human Resources

As at 31 December 2023, the number of employees of the Group was 1,040 as compared to 919 as at 31 December 2022. The total cost of staff, including basic salary and wages, social insurance and bonus, for the year ended 31 December 2023 was RMB173.5 million as compared to RMB158.8 million for the same period in 2022. The increase in the number of employees was mainly due to the corresponding expansion of workforce pursuant to the Group's newly acquired subsidiaries; whereas the increase in total cost of staff was mainly due to the growth of the Group's business and the increase in employee's incentive awards.

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 31 December 2022 *(RMB million)*	Actual net amount utilised for the year ended 31 December 2023 *(RMB million)*	Actual net amount utilised up to 31 December 2023 *(RMB million)*	Unutilised net amount as at 31 December 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	6.7	41.9	129.9	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	–	–	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	–	–	65.3	Expected to be fully utilised by the end of 2026
Further develop online distribution channels	10.0%	241.9	155.3	94.4	181.0	60.9	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	103.8	6.0	23.1	97.8	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	–	–	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	0.1	8.7	112.2	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	28.6	96.4	145.5	Expected to be fully utilised by the end of 2026

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilized net amount as at 31 December 2022 (RMB million)	Actual net amount utilised for the year ended 31 December 2023 (RMB million)	Actual net amount utilised up to 31 December 2023 (RMB million)	Unutilised net amount as at 31 December 2023 (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	–	–	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	–	–	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	–	–	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	236.4	1.7	7.2	234.7	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	24.0	162.6	200.2	Expected to be fully utilised by the end of 2026
Working capital and other general corporate purposes	10.0%	241.9	241.9	–	–	241.9	Expected to be fully utilised by the end of 2026
Total	**100.0%**	**2,418.8**	**2,059.4**	**161.5**	**520.9**	**1,897.9**	

As at 31 December 2023, the remaining proceeds of approximately RMB1,897.9 million (equivalent to approximately HK$2,094.3 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. The majority of unutilized net proceeds are deposited with reputable banks in Hong Kong or the PRC for the year ended 31 December 2023.

FINAL DIVIDEND

The Board resolved to declare the payment of a final dividend of RMB0.0640 per Share (equivalent to HK$0.0705 per Share) for the year ended 31 December 2023 (year ended 31 December 2022: RMB0.0220 (equivalent to HK$0.0251 per Share)). The interim dividend of RMB0.0410 per Share (equivalent to HK$0.0447 per Share) was paid. Total dividend for the year amounted to RMB0.1050 per Share, representing a dividend payout ratio of approximately 80.0%.

The Board recommended the payment of a final dividend of RMB0.0640 per Share, on or around Monday, 8 July 2024 to the shareholders of the Company (the "**Shareholder(s)**") whose names appear on the register of members of the Company on Wednesday, 26 June 2024.

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 Monday, 18 March 2024 to Friday, 22 March 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting of the Company ("**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 Thursday, 13 June 2024.

The register of members of the Company will also be closed on Wednesday, 26 June 2024 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 Tuesday, 25 June 2024.

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 C1 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 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 C3 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 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the year ended 31 December 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 audited consolidated financial statements of the Group for the year ended 31 December 2023.

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 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board on 25 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders upon request of 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, 25 March 2024

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*