Stock Code ：6601

CHEERWIN
朝雲集團有限公司

Cheerwin Group Limited
(Incorporated in the Cayman Islands with limited liability)

2023
ANNUAL REPORT

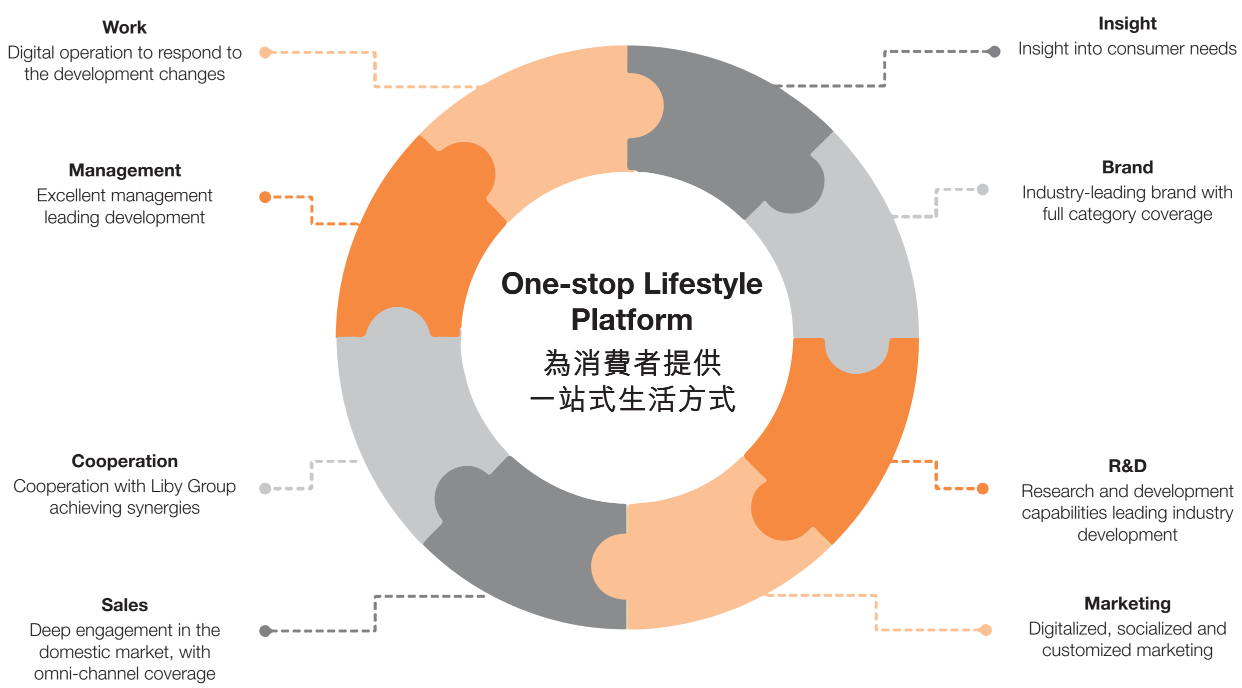
Life is Cheerful


CONTENTS

COMPANY INTRODUCTION

Cheerwin Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**" or "**we**" or "**our**") are a leading one-stop multi-category household care, pets and pet products and personal care platform in China, developing and manufacturing a variety of household care products, pets and pet products and personal care products.

We are committed to providing consumers with a one-stop lifestyle offering through our focus on the eight pillars to underpin our organizational, operational and business structures, which we believe have delivered our success to date. The eight pillars are Insight, Brand, R&D, Marketing, Sales, Cooperation, Management and Work, under which we operate a fully integrated business process in delivering a one-stop lifestyle offering, from consumer and market research, research and development, procurement and production, to sales and marketing.



Our success to date has been driven by our ability to create new products and expand into new categories that meet consumer needs. We have successfully launched ten categories, covering household care, pet and pet product and personal care product. We provide consumers with one-stop comprehensive household care, pet and pet product and personal care product offerings, mainly under nine core brands, namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Naughty Buddy (倔強尾巴), Naughty Mouth (倔強嘴巴), Cyrin (西蘭), Rikiso (潤之素), Zhuazhua Cat Planet (爪爪喵星球) and Mele Family (米樂乖乖), each targeting different aspects of household care demands and specific consumer segments.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chen Danxia *(Chairman and Chief Executive Officer)*
Mr. Xie Rusong
Mr. Zhong Xuyi

Non-executive Director

Mr. Chen Zexing

Independent Non-executive Directors

Dr. Yu Rong
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. Chan Wan Tsun Adrian Alan *(Chairman)*
Mr. Chen Zexing
Mr. Guo Sheng
Dr. Yu Rong

REMUNERATION COMMITTEE

Mr. Guo Sheng *(Chairman)*
Ms. Chen Danxia
Dr. Yu Rong

NOMINATION COMMITTEE

Ms. Chen Danxia *(Chairman)*
Mr. Guo Sheng
Dr. Yu Rong

JOINT COMPANY SECRETARIES

Ms. Wang Dong
Ms. Leung Shui Bing *(ACG, HKACG)*

AUTHORISED REPRESENTATIVES

Ms. Chen Danxia
Ms. Leung Shui Bing *(ACG, HKACG)*

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

As to Hong Kong law
Eric Chow & Co. in association with
Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road
Central, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

No. 2, Luju Road, Liwan District
Guangzhou, Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKS

Bank of China Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited

STOCK CODE

6601

COMPANY'S WEBSITE

www.cheerwin.com

LISTING DATE

10 March 2021

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
				(restated)	
Revenues	1,383,402	1,702,154	1,769,157	1,446,638	**1,615,585**
Gross profit	599,860	742,582	787,426	601,374	**718,258**
Profit before tax	232,216	293,332	120,289	86,473	**217,266**
Profit for the year	184,360	232,909	90,765	65,456	**172,817**
Earnings per share					
– Basic and diluted (RMB cents)	18.70	22.49	7.25	4.96	**13.13**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
				(restated)	
Assets					
Non-current assets	191,246	210,157	318,967	417,855	**694,086**
Current assets	1,034,632	1,398,268	3,103,683	3,160,304	**3,142,059**
Total assets	1,225,878	1,608,425	3,422,650	3,578,159	**3,836,145**
Equity and liabilities					
Equity attributable to owners of the Company	13,234	247,681	2,733,761	2,817,271	**2,927,365**
Non-controlling interests	696	2,853	1,498	7,297	**10,107**
Total equity	13,930	250,534	2,735,259	2,824,568	**2,937,472**
Non-current liabilities	6,880	5,096	9,392	18,682	**30,930**
Current liabilities	1,205,068	1,352,795	677,999	734,909	**867,743**
Total liabilities	1,211,948	1,357,891	687,391	753,591	**898,673**
Total equity and liabilities	1,225,878	1,608,425	3,422,650	3,578,159	**3,836,145**

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present our annual results for the year ended 31 December 2023.

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 sales channels. 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 takes 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 margins, 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 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 margins 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 centralized 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.

Chen Danxia
Executive Director, Chairman and Chief Executive Officer
Hong Kong, 25 March 2024

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 in our revenue 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, appliances, 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, 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 subsidiaries enjoyed a preferential income tax rate of 15% since 2019 and is a qualified high-tech enterprise.

Profit for the Year

As a result of the foregoing, our profit 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 the Annual Report, 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.

* *English names are for identification only.*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Ms. Chen Danxia (陳丹霞), aged 44, is an executive Director, the chairman of the Board and the chief executive officer of our Company. She was appointed as the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the company (the "**Remuneration Committee**") in February 2021. She has more than 17 years of experience in the consumer goods industry. With her extensive experience in operation management and corporate strategic development in the consumer goods and cosmetic products industry, she is principally responsible for overseeing the overall management and business operation and formulating strategies and operational plans of our Group. Ms. Chen also holds directorships and/or other positions in our various major operating subsidiaries.

Ms. Chen was appointed as a director of Guangzhou Liby Group Company Limited (the "**Guangzhou Liby**") in January 2016, and has assumed responsibility for overseeing the overall strategic management of the Cheerwin Business Division since then. As Ms. Chen is the daughter of Mr. Chen Kaichen and Ms. Ma Huizhen, our Controlling Shareholders, and part of the Chen family, she occupies various non-executive roles in other companies owned by the Chen family. Details of Ms. Chen's directorships in Kysun Holdings (China) Company Limited and Guangzhou Liby are set out in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus. Ms. Chen is the cousin of Mr. Chen Zexing, a non-executive Director.

From February 2016 to February 2018, Ms. Chen was the director in Baokai Daorong. From June 2008 to December 2013, Ms. Chen has served as the general manager at Shanghai New COGI Cosmetic Co., Ltd. ("**Shanghai Cogi**"). Ms. Chen acted as the chairman of Shanghai Cogi in her non-executive capacity since January 2014. Baokai Daorong and Shanghai Cogi are businesses owned by the Chen family. Ms. Chen has been a director at Ousia Australia Pty. Ltd since May 2009. Ms. Chen served as an independent non-executive director of Ubtech Robotics Corp Ltd, and the chairman of the compensation committee and the members of the strategic committee and the nomination committee under the board of directors from June 2022 to January 2023.

Since January 2019, Ms. Chen has been the vice president of Zhejiang Hupan Shanqi Charity Foundation (浙江省湖畔善契公益基金會) and assisted Jack Ma Foundation (馬雲公益基金會) to build the first rural boarding school model in China. She was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) of 2017 by Guangzhou Women's Federation (廣州市婦女聯合會). In July 2020, Ms. Chen was appointed as Vice President of Brand Alliance (品牌聯盟副主席) for the 25th China Beauty Expo (中國美容博覽會).

Ms. Chen obtained master of commerce with honors in marketing and strategic management from the University of Sydney, Australia, in October 2006.

Mr. Zhong Xuyi (鍾胥易), aged 43, is the Executive Director and Chief Financial Officer. He is the head of our Finance and Information Technology team. Furthermore, he is in charge of our Investor Relations team and Environmental, Social and Governance management team. He currently also holds directorships and/or other positions in certain of our major operating subsidiaries.

Mr. Zhong has over 20 years of experience in the consumer goods industry. He started his career in Guangzhou Liby and its subsidiaries (the "**Liby Group**") in July 2003 and took responsibility for budget management, tax management, treasury management, shared finance management and subsidiary companies' finance management. He was officially transferred to our Group in January 2018.

With more then 20 years of solid experience in finance, internal audit, investment and financing, Mr. Zhong has been awarded Top 10 Golden CFOs of Year 2022 by the Ministry of Finance, Top 10 Financial Leaders of Year 2021 by CGMA Global Management Accounting, and has been selected as one of the CFO Elite 100 of Hong Kong and US listed Chinese companies by Barron Weekly in two consecutive years. Moreover, he was awarded as one of the Top 10 IT Assessment Experts Influencing Accountants by Shanghai National Accounting Institute. He was also a member of the ACCA Greater Bay Area Advisory Board.

Mr. Zhong obtained his master degree in accounting from Sun Yat-sen University (中山大學) and bachelor degree in accounting from Guangdong University of Finance & Economics (廣東財經大學). In terms of professional development, he holds qualification as a Certified International Internal Auditor (CIA). Furthermore, he was awarded the fellowship of the Chartered Institute of Management Accountants (FCMA) of the United Kingdom, the fellowship of the Chartered Global Management Accountants (CGMA), the fellowship of the Institute of Financial Accountants (FFA) of the United Kingdom, and the fellowship of the Institute of Public Accountants (FIPA) of Australia.

Mr. Xie Rusong (謝如松), aged 57, is an executive Director and our specialized consultant on operation management. He is primarily responsible for assisting the operation management and important businesses of the Group by providing suggestions, identifying and resolving risk management, and providing guidance and recommendations on strategic planning. Mr. Xie currently holds directorships and/or other positions in certain of our major operating subsidiaries.

Mr. Xie has more than 33 years of experience in the fast moving consumer goods industry including experience related to sales, brand management and supply chain. He served as the vice president of the Group from April 2018 to December 2023, and was responsible for the overall management of our Group's supply chain, and in charge of our pet business, offline sales business, oversea business, etc. He served as the general manager of household business division of Guangzhou Liby from December 2008 to April 2018, and has been responsible for overseeing the overall management of the business division operating under Liby Group prior to reorganization of the Group (the "**Cheerwin Business Division**") from December 2008. He was officially appointed as director and general manager of Guangzhou Cheerwin Biotechnology Company Limited* (廣州超威生物科技有限公司) ("**Cheerwin Biotechnology**") in December 2010. From March 2005 to December 2008, Mr. Xie served as the sales manager in Jiangsu Tongda Co., Ltd. (江蘇同大股份有限公司), a chemicals manufacturing company, responsible for managing the sales channels of the company. From February 1990 to December 2003, Mr. Xie worked at Shanghai Johnson Ltd. (上海莊臣有限公司), an international household chemicals company, for almost 14 years, where his last position was sales manager. From October 1987 to January 1990, Mr. Xie served as a production manager in Shanghai Duote Paper Co., Ltd. (上海多特紙品有限公司), a paper manufacturing company.

Mr. Xie obtained his master's degree in business administration from Fudan University (復旦大學), the PRC, in June 2019.

* *English name for identification only.*

Mr. Chen Zexing (陳澤行), aged 34, joined our Company as a non-executive Director since August 2020 and as a member of audit committee of the Company (the "**Audit Committee**") in August 2021. He is primarily responsible for providing strategic advice and guidance on the business development of our Group. Mr. Chen is the son of Mr. Chen Kaixuan and Ms. Li Ruohong, our Controlling Shareholders, and the cousin of Ms. Chen Danxia, an executive Director.

Since July 2023, Mr. Chen has been the president of Guangzhou Liby Kysun Holdings Co, Ltd. Mr. Chen has been the president and an executive director of Kai Tai Health Pharmaceutical Chain Co., Ltd. (啟泰健康藥業連鎖有限公司) since July 2016, the chairman of Kai Tai Chinese Medicine (Holdings) Co., Ltd (啟泰藥業（集團）有限公司) since September 2018 and became an executive director and general manager at Guangzhou Sulikang Biotechnology Company Limited (廣州素力康生物科技有限公司), pharmaceutical and food product businesses owned by the Chen family in July 2017. Since December 2016, Mr. Chen has been the director of Kysun Holdings. From August 2013 to February 2016, Mr. Chen served as a retail terminal manager in Guangzhou Liby.

Mr. Chen graduated from South China Institute of Software Engineering GU (廣州大學華軟軟件學院), the PRC, with an associate degree in marketing in August 2013.

Dr. Yu Rong (俞熔), aged 52, was appointed as an independent non-executive Director of our Company and as the member of the Audit Committee, the Remuneration Committee and the Nomination Committee in October 2022. He is primarily responsible for providing independent judgment and advice to the Board. He has approximately 22 years of experience in business administration and management in the healthcare industry. He founded Meinian OneHealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) in 2004, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044) and has served as its director since then. He served as a director and the legal representative of Tianrong (Nantong) Building Materials Co., Ltd (天熔（南通）建築材料有限公司) from October 2005 to February 2007. Since March 2010, he has served as a director of Shenzhen Rapoo Technology Co., Limited (深圳雷柏科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002577). Since January 2016, he has served as a director of Beijing Huamei Kangxun Information Technology Co., Ltd. (北京華媒康訊信息技術股份有限公司), the shares of which are listed on the National Equities Exchange and Quotations (stock code: 872612) and is principally engaged in media sales and online and offline services in relation to media sales, namely advertising, public relations planning, conference forum, consultation, training, research, software, integrated marketing and book publishing. From November 2016 to July 2021, he served as a director of Beijing Trust & Far Technology Co., Ltd. (北京銀信長遠科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300231) and it is principally engaged in providing one-stop IT overall solution for data center IT infrastructure. Since August 2021, he served as an executive director of Mega Genomics Limited (美因基因有限公司), the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 6667) and it is principally engaged in consumer genetic testing and cancer screening services in China.

Dr. Yu has been a member of Health Promotion and Education Expert Steering Committee of National Health and Family Planning Commission (國家衛生計生委健康促進與教育專家指導委員會) of the PRC from May 2017 to December 2019, the deputy commissioner of The First Management Committee of Health Management Research and Training Special Fund of China Health Promotion Foundation (中國健康促進基金會健康管理研究與培訓專項基金第一屆管理委員會) since January 2019 and the president of Health Examination Branch of China Association of Non-public Medical Institutions (中國非公立醫療機構協會健康體檢分會) since October 2019.

Dr. Yu obtained his bachelor's degree in electronic engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1993 and his master's degree in finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in August 1999. He further earned his Ph.D in basic theory of traditional Chinese Medicine from China Academy of Chinese Medical Sciences (中國中醫科學院) in the PRC in July 2013 and his executive master's degree in business administration (EMBA) from China Europe International Business School (中歐國際工商學院) in the PRC in September 2009.

Mr. Guo Sheng (郭盛), aged 52, was appointed as an independent non-executive Director and as the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee in February 2021. He is primarily responsible for providing independent judgment and advice to the Board. Since October 2010, Mr. Guo has been serving as the chief executive officer in Zhaopin Limited, a recruitment platform provider that was listed on the New York Stock Exchange (stock code: ZPIN) prior to its delisting in September 2017.

From September 2007 to July 2010, Mr. Guo served as a director and general manager in Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司), an air cargo company that was listed on the Shanghai Stock Exchange (stock code: 600270) prior to its delisting in December 2018. From September 2001 to September 2002, he served as the chief executive officer in Prosys Solutions Ltd. From September 1994 to September 2001 and from September 2002 to June 2007, Mr. Guo served in McKinsey & Company with his last position being a partner.

Mr. Guo received double bachelor's degrees in computer and English for applied and professional use from Shanghai Jiao Tong University (上海交通大學), the PRC, in July 1994. He further received his master's degree in administration from Northwestern University, the United States, in June 1999.

Mr. Chan Wan Tsun Adrian Alan (陳弘俊), aged 45, was appointed as an independent non-executive Director and as the chairman of the Audit Committee in February 2021. He is primarily responsible for providing independent judgment and advice to the Board.

Mr. Chan has been the Regional Director (Greater China) of The CFO Centre since January 2021. He has been the chief financial officer of Sun Ray Capital Investment Corporation since July 2015. He has been the chief financial officer of LabyRx Immunologic Therapeutics Limited from July 2018 to January 2021, and has been the chief financial officer of Lifepans Limited since August 2018. Mr. Chan has been appointed as an independent non-executive director of Regent Pacific Group Limited (stock code: 575, the shares of which are listed in the Main Board of the Stock Exchange) since April 2023. Since 21 October 2019, Mr. Chan has been appointed as an independent non-executive director of Best Linking Group Holdings Limited (stock code: 9882), the shares of which are listed on the Main Board of the Stock Exchange. From November 2011 to June 2021, he was an independent non-executive director of Grand Baoxin Auto Group Limited (stock code: 1293) an automobile dealership company listed on the Main Board of the Stock Exchange. From 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Main Board of the Stock Exchange. He has over 16 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from July 2005 to November 2009. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from January 2002 to July 2005, the corporate finance department of DBS Vickers Securities from April 2000 to December 2001, and as auditor for a top-tier international accounting firm.

Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in April 2000. He has been a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants since June 2006 and November 2009, respectively.

SENIOR MANAGEMENT

Ms. Wang Dong (王冬), aged 45, is our chief operating officer, general manager of our brand management center, general manager of our technology research and development center, and joint company secretary of the Company. She is primarily responsible for overseeing the overall business operation and brand management of the Group, and in charge of brand management center, e-commerce operation center, technology research and development center, and Guangdong Zhongkeyan, etc. She also serves as the general manager of brand management center in Cheerwin Biotechnology. Ms. Wang has over 21 years of experience in consumer goods industry. From December 2016 to March 2019, Ms. Wang was the general manager in Megahive Media. From June 2002 to November 2016, Ms. Wang served in Guangzhou Liby with her last position being the deputy general manager of brand management center and director of media communication division. Ms. Wang assumed responsibility for brand management of the Cheerwin Business Division in July 2012. She was officially transferred to our Group in April 2019. Ms. Wang obtained her dual bachelor's degrees in packaging engineering and business administration from Wuhan Polytechnic University (武漢輕工大學) (formerly known as Wuhan Food Industry College (武漢工業學院)), the PRC, in June 2002. In 2016, Ms. Wang was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) by Guangzhou Women's Federation (廣州市婦女聯合會).

Mr. Lv Yongji (呂永吉), aged 37, is our vice president of marketing. He suggests and participates in the discussions about the Group's operation and management decisions on major issues, and is in charge of the marketing management of the sales center, marketing force planning department, and commercial and overseas business department of the Group. Mr. Lv has over 16 years of experience in consumer goods industry. Mr. Lv worked in Guangzhou Liby from July 2008 to December 2023 with his last position being the vice president of sales of the head office and the director of the live sales business. He was formally transferred to the Group in December 2023. Mr. Lv received his bachelor degree in polymer materials science and engineering from Nanchang University, the PRC, in June 2008.

Mr. Yang Yu (楊鈺), aged 40, is the general manager of our operation management center, and is primarily responsible for overseeing the operation management of our Group. He also serves as the general manager of operation management center in Cheerwin Biotechnology. Mr. Yang has over 17 years of experience in consumer goods industry. Mr. Yang previously worked in Guangzhou Liby from July 2006 to August 2018 with his last position being director of operation management division. Mr. Yang assumed responsibility of the management of finance budgeting of the Cheerwin Business Division in May 2016 before officially transferring to our Group. Mr. Yang obtained his bachelor's degree in accounting from Hunan University of Technology and Business (湖南工商大學) (formerly known as Hunan Business College (湖南商學院)), the PRC, in June 2006.

Ms. Ding Jiajia (丁嘉佳), aged 38, is the general manager of our e-commerce operation center, and is primarily responsible for overseeing the e-commerce operation of our Group. Prior to joining our Group in December 2019, Ms. Ding served in Alibaba Group Holding Limited, an e-commerce company listed on the Main Board of the Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock code: BABA), as an industry expert from August 2010 to November 2019. Ms. Ding obtained her bachelor's degree in animation from Zhejiang Gongshang University (浙江工商大學), the PRC, in July 2008.

Mr. Shi Xunqin (石訓勤), aged 50, is the general manager of our investment, financing and strategic analytical center, and is primarily responsible for overseeing investment and financing related matters of our Group. From June 2018 to August 2020, Mr. Shi served as the general manager of investment and capital operation division in Kysun Holdings. From January 2015 to June 2018, Mr. Shi was the managing director in Baokai Daorong, where he was responsible for acquisition and equity investment business unit. From June 2016 to June 2018, He served as the general manager in Guangzhou Zhanze Investment Management Co., Ltd. (廣州展澤投資管理有限公司). From February 2004 to December 2014, Mr. Shi served in Guangzhou Liby with his last position being deputy general manager of financial and capital operation center. During his employment with Guangzhou Liby, Mr. Shi assumed responsibility of corporate finance matters of the Cheerwin Business Division in January 2006 before officially transferring to our Group in August 2020. Mr. Shi obtained his bachelor's degree in chemical engineering from Huaqiao University (華僑大學), the PRC, in July 1997 and obtained his master's degree in business administration from Sun Yat-sen University (中山大學), the PRC, in June 2004.

JOINT COMPANY SECRETARIES

Ms. Leung Shui Bing (梁瑞冰), is a joint company secretary of our Company. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 19 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford and a master's degree in Corporate Governance from Hong Kong Metropolitan University. She is a Chartered Secretary, Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Wang Dong (王冬), is a joint company secretary of our Company. For biographical details of Ms. Wang, please see "– Senior Management" in this section.

The Board is pleased to announce the annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL BUSINESS

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2023 are set out in the Chairman's Statement on pages 5 to 8 and the Management Discussion and Analysis on pages 9 to 14 of the Annual Report. An account of the Group's key relationships with its key stakeholders is provided in the Directors' Report on pages 21 to 45 of the Annual Report. An analysis of the Group's performance during the year ended 31 December 2023 using financial key performance indicators is set out in the Financial Summary on page 4.

Compliance with Laws and Regulations

During the year ended 31 December 2023, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Principle Risks and Uncertainties

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

- Our business depends heavily on the strength of our brands and reputation, and consumers' recognition and their trust in our products may be materially and adversely affected if we fail to maintain and enhance our brands and reputation;
- we operate in a highly competitive industry if we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could decline;
- our business is subject to changes in consumer demand, preferences and spending patterns;
- our efforts in developing, launching and promoting new brands and products, diversifying our brand and product portfolio may not be successful;
- our business operations may be subject to seasonality; and
- our brands and products may be subject to counterfeiting imitation, and/or infringement by third parties.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are in the process of establishing an environmental, social and governance ("**ESG**") committee (the "**ESG committee**") to oversee our ESG management. Additionally, we are in the process of forming an environmental protection, health, and safety team (the "**EHS team**") to assess and manage all ESG related matters. Our EHS team uses a number of metrics to assess potential risks, including setting an energy consumption target for each type of our products which measures the use of fuels or electricity in producing each unit of such product.

For the year ended 31 December 2023, we had not received any notice or warning in relation to pollution in respect of our operation, nor had we been subject to any fines, penalties or other legal actions by government authorities resulting from any non-compliance with any environmental protection laws or regulations that had a material adverse impact on our operations and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any environmental government authorities in respect thereof.

For details of the Company's environmental policies and performance, please refer to the ESG report of the Company ("**ESG Report**") for the year ended 31 December 2023 to be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cheerwin.com) according to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the transaction amounts of the Group's five largest customers accounted for 19.6% of the Group's total revenues (2022: 22.8% (restated)), while the transaction amounts of the largest customer accounted for 11.8% of the Group's total revenues (2022: 14.1% (restated)).

For the year ended 31 December 2023, the transaction amounts of the Group's five largest suppliers accounted for 43.5% of the Group's total purchases (2022: 44.2%), while the transaction amounts of the largest supplier accounted for 17.1% of the Group's total purchases (2022: 18.7%).

During the financial year ended 31 December 2023, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statement on pages 65 to 138 of the Annual Report.

FINAL DIVIDEND

The Board has recommended 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). 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%. This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on Wednesday, 19 June 2024, and will be paid on or around Monday, 8 July 2024 to those Shareholders whose names appear on the Company's register of members on Wednesday, 26 June 2024.

The proposed 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 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.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of the Annual Report. The summary does not form part of the audited consolidated financial statements.

TIME DEPOSITS/BANK BALANCES AND CASH

Details of the time deposits/bank balances and cash of the Group for the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the "**Shares**") were listed on the Main Board of 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 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)	Unutilised 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 the unutilised net proceeds were deposited with reputable banks in Hong Kong or the PRC for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2023 are set out in note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Incentive Schemes" in the Annual Report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the year ended 31 December 2023 or subsisted as at 31 December 2023.

RESERVES

Details of movements in the reserves of the Company for the year ended 31 December 2023 are set out in note 41 to the consolidated financial statement of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company did not have reserve available for distribution to shareholders.

Under the Cayman Companies Act, the Company may make distribution to the Shareholders out of the credit standing to the share premium account of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this credit standing to the share premium account if it is, or would after the payment be, unable to pay its debts as they fall due in the ordinary course of business.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DONATIONS

For the year ended 31 December 2023, approximately RMB0.85 million (2022: RMB3.6 million) charitable donations were made by the Group.

DIRECTORS

During the year ended 31 December 2023 and up to date of the Annual Report, the Directors are:

Executive Director

Ms. Chen Danxia *(Chairman and Chief Executive Officer)*
Mr. Xie Rusong
Mr. Zhong Xuyi

Non-Executive Director

Mr. Chen Zexing

Independent Non-executive Directors

Dr. Yu Rong
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

In accordance with Article 84(1) of the articles of association of the Company (the "**Articles of Association**"), Mr. Chen Zexing, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan, will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

The particulars of Directors who are subject to re-election at the forthcoming AGM are set out in the circular to the Shareholders of the Company dated 30 April 2024.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director a confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent as at the date of the Annual Report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 20 of the Annual Report.

CHANGES TO DIRECTORS' INFORMATION

There is no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the Company's 2023 interim report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company on 19 February 2024, and the Company has issued letters of appointment to each of the non-executive Director and independent non-executive Directors. The service contracts with each of the executive Directors is for an initial fixed term of three years. The letters of appointment with each of the non-executive Director and independent non-executive Directors is for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts and the letters of appointments may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, a service contract or letter of appointment with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors and the five highest paid individuals for the year ended 31 December 2023 are set out in note 12 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 34 to the consolidated financial statements.

SHARE INCENTIVE SCHEMES

Share Option Scheme

On 23 July 2021, the share option scheme of the Company (the "**Share Option Scheme**") was approved and adopted by the Shareholders. The purpose of the Share Option Scheme is to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The Share Option Scheme will link the value of the Company with the interests of the share option participants, enabling the share option participants and the Company to develop together and promote the Company's corporate culture. The Board may offer to grant an option to subscribe for certain number of Shares as the Board may determine to an eligible person including Directors, senior management and core employees of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group in accordance with the terms of the Share Option Scheme.

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each participant (including both exercised, cancelled and outstanding share options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period is limited to 1% of the Shares in issue, unless otherwise separately approved by Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

The total number of Shares which may be issued upon exercise of share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the total number of the Shares in issue (i.e. 133,333,350 Shares) on the adoption date of the Share Option Scheme. Share options which have lapsed shall not be counted in calculating the 10% limit. The Company may refresh the 10% limit with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the total number of the Shares in issue as at the date of the Shareholders' approval. Share options previously granted under the Share Option Scheme and any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed. The Company may seek separate approval by Shareholders in general meeting of the Company for granting options beyond the 10% limit provided that the share options in excess of the limit are granted only to share option participants specially identified by the Company before such approval is sought. Total number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the total number of the Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

The total number of share options which may be granted under the Share Option Scheme is 128,533,350, representing approximately 9.64% of the total number of issued Shares (i.e. 1,333,333,500 Shares) as at the date of the Annual Report.

The grantees under the Share Option Scheme are Ms. Wang Dong, Mr. Xie Rusong, Mr. Zhong Xuyi and four other employees of the Group.

Subject to any adjustments made pursuant to the terms of the Share Option Scheme, the exercise price shall be at a price determined by the Board at its absolute discretion and notified to the share option participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the offer date; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share on the offer date.

The share options granted shall be open for acceptance for a period of seven days from the date of grant. An amount of HK$1.00 is payable upon acceptance of the grant of the share options. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the Share Option Scheme was conditionally adopted. Accordingly, as at 31 December 2023, the remaining life of the Share Option Scheme is approximately 7.5 years.

Any option shall be vested on an option-holder upon his/her acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). The Board may specify the exercise period and/or the vesting schedule of the options in the grant letter, and in all circumstances all options shall automatically lapse upon the expiry of the tenth anniversary of the date of grant. During the year ended 31 December 2023, no share options were granted under the Share Option Scheme. Details of the movements of the share options granted under the Share Option Scheme as at 31 December 2023 are set out below:

Name of grantee	Position held with the Company/relationship with the Company	Date of grant	No. of Shares involved in the share options outstanding as at 1 January 2023	Share options granted during the year ended 31 December 2023	Share options exercised during the year ended 31 December 2023	Share options cancelled during the year ended 31 December 2023	Share options lapsed/forfeited during the year ended 31 December 2023	No. of Shares involved in the share options outstanding as at 31 December 2023	Exercise price (HK$ per Share)[1]	Vesting date[2][3]	Exercise period
Ms. Wang Dong	Chief Operating Officer and Joint Company Secretary	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2023	15 April 2023 – 14 April 2030[4]
		23 September 2021	150,000	–	–	–	–	150,000[6]	4.33	15 April 2024	15 April 2024 – 14 April 2031[4]
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025	15 April 2025 – 22 September 2031[5]
Mr. Xie Rusong	Executive Director	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2023	15 April 2023 – 14 April 2030[4]
		23 September 2021	150,000	–	–	–	–	150,000[6]	4.33	15 April 2024	15 April 2024 – 14 April 2031[4]
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025	15 April 2025 – 22 September 2031[5]
Mr. Zhong Xuyi	Executive Director and Chief Financial Officer	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2023	15 April 2023 – 14 April 2030[4]
		23 September 2021	150,000	–	–	–	–	150,000[6]	4.33	15 April 2024	15 April 2024 – 14 April 2031[4]
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025	15 April 2025 – 22 September 2031[5]
Other Employees of the Group	Employees of the Group	23 September 2021	600,000	–	–	–	(600,000)	–	4.33	15 April 2023	15 April 2023 – 14 April 2030[4]
		23 September 2021	600,000	–	–	–	–	600,000[6]	4.33	15 April 2024	15 April 2024 – 14 April 2031[4]
		23 September 2021	600,000	–	–	–	–	600,000	4.33	15 April 2025	15 April 2025 – 22 September 2031[5]
Total			**3,150,000**				**(1,050,000)**	**2,100,000**			

Notes:

(1) The closing price of the securities immediately before the date on which the share options were granted was HK$4.21 per Share. The fair value of the share options at the date of grant was HK$4.33.

(2) Two batches of the share options granted, each being 25% of the total number of share options granted, which were originally proposed to be vested on 15 April 2022 and 15 April 2023 respectively, were not vested because the performance target relating to the corresponding year (as set out under Note (3)) was not met. 25% of the total number of share options granted shall be vested on 15 April 2024, and the remaining 25% of the total number of share options granted shall be vested on 15 April 2025, subject to the fulfillment of the vesting conditions pursuant to the Share Option Scheme.

(3) The Company has established an appraisal mechanism for the purpose of calculating and assessing the fulfilment of performance targets by each of the grantees, in relation to vesting of Share Options granted to them. The appraisal mechanism is a scoring system which comprises a mixture of key performance indicators ("**KPI**") components which vary among the grantees.

The KPI in relation to the Group as a whole includes:

(a) Revenue growth rate of the Group (with a weight of 50%); and

(b) Net profit growth rate of the Group (with a weight of 50%).

The weighted average calculation result (the "**Result**") of the two indicators (a) and (b) above will be used to determine the performance coefficient of the Company (the "**Coefficient**"):

(i) if the Result is 100% or more, the Coefficient will be 1;

(ii) if the Result is between 90% and 100% (not including 100%), the Coefficient will be 0.9;

(iii) if the Result is between 80% and 90% (not including 90%), the Coefficient will be 0.8;

(iv) if the Result is between 70% and 80% (not including 80%), the Coefficient will be 0.7; and

(v) if the Result is less than 70%, the Coefficient will be 0.

For the current grantees, the appraisal mechanism is a scoring system used to determine the personal attribution ratio (the "**Personal Attribution Ratio**") for each of them:

(i) for a grantee whose KPI score is more than 90, the Personal Attribution Ratio will be 100%, representing 100% of the Share Options planned to be vested to him/her in the year shall be vested;

(ii) for a grantee whose KPI score is between 80 and 90 (not including 90), the Personal Attribution Ratio will be 80%, representing 80% of the Share Options planned to be vested to him/her in the year shall be vested; and

(iii) for a grantee whose KPI score is less than 80, the Personal Attribution Ratio will be 0%, representing none of the Share Options planned to be vested to him/her in the year shall be vested.

If the Result is less than 70%, none of the Share Options planned to be vested in the year shall be vested.

(4) The exercise period for the vested share options expires 7 years from the date of vesting.

(5) The exercise period for the vested share options expires 10 years from the date of grant.

(6) The relevant batch of share options would be vested on 15 April 2024. The performance target as set out under Note (3) was met, and hence a total number of 1,050,000 share options would be vested as at the date of this Annual Report.

Please refer to note 32 to the consolidated financial statements for further information of the Share Option Scheme and the value of share options granted.

Restricted Share Award Scheme

The restricted share award scheme of the Company (the "**RSA Scheme**") was approved and adopted by the Board on 3 June 2021. Pursuant to the RSA Scheme, the Board may, from time to time, in its absolute discretion, select any individual who is a key management personnel of the Group including Directors, senior management and core employees of the Group, after taking into consideration various factors as they deem appropriate and determine the number of award shares to be granted to each of the selected participants. In determining the number of award shares for each selected participant, the Board shall take into consideration matters, including but not limited to, the selected participant's position, experience, years of service, performance and contribution to the Group and the market price of the Shares.

The purpose and objective of the RSA Scheme are (i) to realize the binding of the management team with the Shareholders and the Company's interests in the long run; (ii) to incentivize the management team to achieve the Company's performance goals, supporting the Company's rapid growth in the future; (iii) to send positive signals to the capital market and increase the market's confidence in the Company's development; and (iv) to attract external talents and enhance talent competitiveness.

The award shares shall be open for acceptance for a period of seven days from the date of grant. An amount of HK$1.00 is payable upon acceptance of the grant of the restricted shares. The RSA Scheme shall be effective from its adoption date and shall be in full force and effect for a term of ten years or until such date of early termination as determined by the Board, whichever is the earlier. Accordingly, as at 31 December 2023, the remaining life of the RSA Scheme is approximately 7.5 years. The maximum number of award shares that may be granted under the RSA Scheme in aggregate shall be no more than 25,000,000 Shares, representing 1.87% of the total number of the issued Shares as at the date of the Annual Report, subject to the compliance of the Listing Rules, including, the requirement concerning the maintenance of the public float. Under the RSA Scheme, the last batch of the restricted shares will be vested on 15 April 2025.

Details of the share awards granted under the RSA Scheme

As at the date of the Annual Report, the grantees under the RSA Scheme are Ms. Chen Danxia, Ms. Wang Dong, Mr. Xie Rusong, Mr. Zhong Xuyi and four other employees of the Group.

Details of the movements of the restricted shares granted under the RSA Scheme as at 31 December 2023 are set out below:

Name of grantee	Position held with the Company/ relationship with the Company	Date of grant	No. of Shares involved in the restricted shares outstanding as at 1 January 2023	Restricted shares granted during the year ended 31 December 2023	Restricted shares exercised during the year ended 31 December 2023	Restricted shares cancelled during the year ended 31 December 2023	Restricted shares lapsed/forfeited during the year ended 31 December 2023	No. of Shares involved in the restricted shares outstanding as at 31 December 2023	Closing price (HK$ per Share)(1)	Vesting date(2)(3)
Ms. Chen Danxia	Executive Director,	23 September 2021	3,750,000	–	–	–	(3,750,000)	–	4.33	15 April 2023
	Chairman and Chief	23 September 2021	3,750,000	–	–	–	–	3,750,000(4)	4.33	15 April 2024
	Executive Officer	23 September 2021	3,750,000	–	–	–	–	3,750,000	4.33	15 April 2025
Ms. Wang Dong	Chief Operating Officer	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2023
	and Joint Company	23 September 2021	150,000	–	–	–	–	150,000(4)	4.33	15 April 2024
	Secretary	23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025
Mr. Xie Rusong	Executive Director	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2023
		23 September 2021	150,000	–	–	–	–	150,000(4)	4.33	15 April 2024
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025
Mr. Zhong Xuyi	Executive Director and	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2023
	Chief Financial Officer	23 September 2021	150,000	–	–	–	–	150,000(4)	4.33	15 April 2024
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025
Other Employees of the Group	Employees of the Group	23 September 2021	600,000	–	–	–	(600,000)	–	4.33	15 April 2023
		23 September 2021	600,000	–	–	–	–	600,000(4)	4.33	15 April 2024
		23 September 2021	600,000	–	–	–	–	600,000	4.33	15 April 2025
Total			**14,400,000**				**(4,800,000)**	**9,600,000**		

Notes:

(1) The closing price of the securities immediately before the date on which the restricted shares were granted was HK$4.21 per Share. The fair value of the share options at the date of grant was HK$4.33. Pursuant to Rule 17.09(8) of the Listing Rules, the basis of determining the purchase price of restricted shares awarded is not applicable as there is no purchase price under the RSA Scheme.

(2) Two batches of the restricted shares granted, each being 25% of the total number of restricted shares granted, which were originally proposed to be vested on 15 April 2022 and 15 April 2023 respectively, were not vested because the performance target relating to the corresponding year (as set out under Note (3)) was not met. 25% of the total number of restricted shares granted shall be vested on 15 April 2024, and the remaining 25% of the total number of restricted shares granted shall be vested on 15 April 2025, subject to the fulfilment of vesting conditions pursuant to the RSA Scheme.

(3) The Company has established an appraisal mechanism for the purpose of calculating and assessing the fulfilment of performance targets by each of the Grantees, including Ms. Chen Danxia, in relation to vesting of restricted shares granted to them. The appraisal mechanism is a scoring system which comprises a mixture of KPI components which vary among the Grantees. Such KPI applied to Ms. Chen Danxia solely comprises of performance targets for the business of the Group as a whole.

The KPI in relation to the Group as a whole includes:

(a) Revenue growth rate of the Group (with a weight of 50%); and

(b) Net profit growth rate of the Group (with a weight of 50%).

The Result of the two indicators (a) and (b) above will be used to determine the performance Coefficient of the Company:

(i) if the Result is 100% or more, the Coefficient will be 1;

(ii) if the Result is between 90% and 100% (not including 100%), the Coefficient will be 0.9;

(iii) if the Result is between 80% and 90% (not including 90%), the Coefficient will be 0.8;

(iv) if the Result is between 70% and 80% (not including 80%), the Coefficient will be 0.7; and

(v) if the Result is less than 70%, the Coefficient will be 0.

The number of restricted shares vested to Ms. Chen Danxia in a year will be calculated by multiplying the total number of restricted shares planned to be vested to her in the year by the Coefficient of the same year.

For the seven grantees under the RSA Scheme, excluding Ms. Chen Danxia, the appraisal mechanism is a scoring system used to determine the Personal Attribution Ratio for each of them:

(i) for a grantee whose KPI score is more than 90, the Personal Attribution Ratio will be 100%, representing 100% of the Share Options planned to be vested to him/her in the year shall be vested;

(ii) for a grantee whose KPI score is between 80 and 90 (not including 90), the Personal Attribution Ratio will be 80%, representing 80% of the Share Options planned to be vested to him/her in the year shall be vested; and

(iii) for a grantee whose KPI score is less than 80, the Personal Attribution Ratio will be 0%, representing none of the Share Options planned to be vested to him/her in the year shall be vested.

For the seven other RSA grantees excluding Ms. Chen Danxia, the number of restricted shares vested to each of them in a year will be calculated by multiplying the total number of restricted shares planned to be vested to him/her in the year by the Coefficient of the same year and then by his/her Personal Attribution Ratio.

(4) The relevant batch of restricted shares would be vested on 15 April 2024. The performance target as set out under Note (3) was met, and hence a total number of 4,800,000 restricted shares would be vested as at the date of this Annual Report.

For the purpose of the RSA Scheme, the Company appointed two trustees to hold Shares in two separate trust plans for the respective benefit of the connected persons (the "**Connected Grantees**") and other non-connected persons (the "**Non-connected Grantees**") of the Company. The two trustees hold 16,200,000 restricted shares for three Connected Grantees and 3,600,000 restricted shares for the other Non-connected Grantees, respectively, in accordance with the terms of the RSA Scheme. The restricted shares held for the Non-connected Grantees will be counted as public float. As at the date of the Annual Report, the trustees and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The trustees shall not exercise the voting rights in respect of any Shares held under the trusts including but not limited to the restricted shares.

As at the date of the Annual Report, a total number of 9,600,000 restricted shares, representing approximately 0.72% of the Shares in issue, had been granted to three Directors, one senior management and four employees of the Group pursuant to the RSA Scheme. The selected participants are not required to pay any exercise price to receive the restricted shares granted under the RSA Scheme while the vesting conditions shall be fulfilled before the restricted shares can be vested. The total number of restricted shares which may be granted under the RSA Scheme is 15,400,000 (consist of 5,200,000 ungranted restricted shares and 10,200,000 granted restricted shares which has lapsed/forfeited since adoption of the RSA Scheme), representing approximately 1.15% of the total number of issued Shares (i.e. 1,333,333,500 Shares) as at the date of the Annual Report.

Further details of the RSA Scheme are set out in note 32 to the Notes to the Consolidated Financial Statements.

As the above Share Option Scheme and RSA Scheme were all adopted before the effective date of the new Chapter 17 of the Listing Rules, the Company has complied and will continue to comply with the new Chapter 17 to the extent required by the transitional arrangements for the existing share schemes. The Company confirmed that it will continue to comply with the new Chapter 17 requirements, and in the future event that the Company wishes to make further grants under the existing schemes and/or adopt new share schemes, to make appropriate announcement and if necessary to seek shareholders' approval accordingly.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to Section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

Interest in Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest(4)
Chen Danxia	Beneficial owner	3,993,500 (L)	0.30%
Xie Rusong(2)	Beneficial owner	780,500 (L)	0.06%
Zhong Xuyi(3)	Beneficial owner	300,000 (L)	0.02%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Mr. Xie Rusong holds 480,500 Shares and he is interested in 300,000 underlying Shares. Such underlying Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the outstanding share options granted to him under the Share Option Scheme as at 31 December 2023.

(3) Mr. Zhong Xuyi is interested in 300,000 underlying Shares. Such underlying Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the outstanding share options granted to him under the Share Option Scheme as at 31 December 2023.

(4) As at 31 December 2023, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 31 December 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest
Ms. Ma Huizhen(2)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Ms. Li Ruohong(3)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Mr. Chen Kaixuan ("**Mr. KX Chen**")(3)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Mr. Chen Kaichen ("**Mr. KC Chen**")(2)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Cheerwin Global Limited(4)	Beneficial interest	990,000,000 (L)	74.25%

Notes:

(1) The letter "L" denotes the person's long position in such shares of the Company.

(2) Ms. Ma Huizhen and Mr. KC Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

(3) Ms. Li Ruohong and Mr. KX Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the Shares held by each other.

(4) The entire issued share capital of Cheerwin Global Limited is beneficially owned by Ms. Ma Huizhen, Ms. Li Ruohong, Mr. KC Chen and Mr. KX Chen who are deemed to be interested in the Shares held by Cheerwin Global Limited pursuant to SFO.

(5) As at 31 December 2023, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

We set out below a summary of the connected transactions conducted/carried out by the Group for the year ended 31 December 2023.

Partially Exempt Continuing Connected Transactions

1. Property Services Framework Agreement

   On 19 February 2021, we entered into a property services framework agreement (the "**Property Services Framework Agreement**") with Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, pursuant to which we may lease properties and receive property management services from the associates of Mr. KX Chen and Mr. KC Chen for office premises, warehouses and production plants. According to the Property Services Framework Agreement, associates of Mr. KX Chen and Mr. KC Chen will lease to us properties and provide to us property management services we need for our business operations, including office premises, warehouses and production plants; our Group and associates of Mr. KX Chen and Mr. KC Chen will enter into separate lease and property management services agreements which will set out specific terms and conditions according to the principles in the Property Services Framework Agreement.

   The rentals shall be determined with reference to the then market price of properties of comparable size, furnishings and fittings, and use in the vicinity which are available to independent third parties as agreed by both parties after arm's length negotiation. The property management fees shall be determined as agreed by both parties after arm's length negotiations with reference to the then market price. The Property Services Framework Agreement is valid for a term of three years commencing from the Listing Date.

   The annual caps for such transactions are approximately RMB8.5 million, RMB9.3 million and RMB9.4 million for the years ended 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2023, the total annual rent and property management fee paid or payable was RMB8.6 million without exceeding the annual cap for such transactions.

   As the Property Services Framework Agreement has expired on 31 December 2023, the Company has entered into the New Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen on 23 November 2023, and the annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder are RMB11.4 million, RMB11.7 million and RMB12.1 million respectively. For the purpose of the New Property Services Framework Agreement, its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, therefore it is subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The New Property Services Framework Agreement is valid for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. For details of the renewal of the continuing connected transactions, please refer to the announcement of the Company dated 23 November 2023.

2. Ancillary Service Agreement

Liby Group has been providing certain ancillary services including sales support services, such as implementation of our sales promotion plan and managing store display at our points of sales, management of warehouse services, and IT services, such as implementation and maintenance of our IT servers and systems, to our Group. On 19 February 2021, we entered into a service agreement (the “**Ancillary Service Agreement**”) with Liby Group in order to govern the provisions of services by Liby Group to our Company.

For sales support services, the service fee payable by our Group to Liby Group shall be determined with reference to the actual sales support expenses incurred by the Liby Group in providing such services plus a reasonable profit margin of approximately 10%, which is comparable to margins charged by independent third parties that provide similar sales support services.

For warehouse services, the service fee payable by our Group to Liby Group shall be determined with reference to the actual warehouse costs incurred by Liby Group and in proportion to the storage space occupied by our Company over the total area of the relevant warehouses.

For IT services, the service fee payable by our Group to Liby Group shall be determined in accordance to our actual usage of the relevant software procured by Liby Group and the time rates of the IT technicians of Liby Group in providing such services with reference to time rates charged by independent third parties that provide similar IT services.

The Ancillary Service Agreement is valid for a term of three years commencing from the Listing Date. The service fee is payable annually in arrears.

The annual caps for such transactions are approximately RMB35.6 million, RMB38.2 million and RMB44.7 million for the years ended 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2023, the total service fee paid or payable was RMB44.5 million without exceeding the annual cap for such transactions.

As the Ancillary Service Agreement has expired on 31 December 2023, the Company has entered into the New Ancillary Services Framework Agreement with Mr. KX Chen and Mr. KC Chen on 23 November 2023, and the annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder are RMB46.7 million, RMB49.1 million and RMB51.5 million respectively. For the purpose of the New Ancillary Service Agreement, its highest applicable percentage ratio (as defined under the Listing Rules) is higher than 0.1% but less than 5%, therefore it is subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The New Ancillary Service Agreement is valid for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. For details of the renewal of the continuing connected transactions, please refer to the announcement of the Company dated 23 November 2023.

3. Testing and Consultation Services Framework Agreement

In light of the Group's acquisition of Guangdong Zhongkeyan, which has extensive experience in scientific analysis, research and testing of products, the Group agreed to provide testing and consultation services for the Mr. KX Chen, Mr. KC Chen and their associates, including the provision of product testing services for daily chemical products, personal care product, pet products, drugs, disposable products, and medical-related products, and other relevant supporting and consultation services for product development, such as toxicology and safety assessment of raw materials and products, technological innovation research, product analysis, industry prospective analysis, technical services consultation and trainings, etc. in the process of product development. On 23 November 2023, we entered into a Testing and Consultation Services Framework Agreement with Mr. KX Chen and Mr. KC Chen.

The fees shall be determined as follows: (1) if the PRC government has issued an indicative fees for the relevant services, the Group shall charge in accordance with the indicative services fees as guided by the PRC government; or (2) if no indicative fees have been issued by the PRC government, the service fees charged by the Group shall charge with reference to the fixed fee quotation provided to all customers of the Group. The Group and Chens' Associates will enter into separate business agreements which will set out specific terms and services to be provided according to the principles in the Testing and Consultation Services Framework Agreement.

The annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder are RMB2.5 million, RMB3.0 million and RMB3.5 million respectively. The Testing and Consultation Services Framework Agreement is valid for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. For details of the renewal of the continuing connected transactions, please refer to the announcement of the Company dated 23 November 2023.

Non-Exempt Continuing Connected Transactions

1. Sales Framework Agreement

We sell our products to subsidiaries or associates of Liby Group in the ordinary course of our business. On February 19, 2021, we entered into a sales framework agreement with Liby Group on normal commercial terms (the "**Sales Framework Agreement**").

We price our sales to Liby Group based on its selling price to its customers under reasonable margin taking into account (i) the direct and indirect cost, including logistics and distribution expenses, salary and wages, information fee, display fee and/or annual maintenance fee, incurred by Liby Group dealing with key accounts and other customers, and (ii) with reference to margins for products of comparable quality, specifications and quantities charged by independent third party distributors that mainly deal with key accounts. We provide recommended retail price for customers of Liby Group, such as key accounts. We will provide a monthly invoice to Liby Group, and Liby Group shall make payment via wire transfer within 45 days from the first day of each month. We do not generally set minimum purchase requirement or sales target for Liby Group, and we do not provide any incentive scheme for them. The Sales Framework Agreement is valid for a term of three years commencing from the Listing Date.

The annual caps for such transactions are approximately RMB437.7 million, RMB512.0 million and RMB639.8 million for the years ended 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2023, the total transaction amounts received or receivable was RMB189.2 million without exceeding the annual cap for such transactions.

As the Sales Framework Agreement has expired on 31 December 2023, the Company has entered into the New Sales Framework Agreement with Mr. KX Chen and Mr. KC Chen on 23 November 2023, and the annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder are RMB224.1 million, RMB257.7 million and RMB296.4 million respectively. For the purpose of the New Sales Framework Agreement, its highest applicable percentage ratio (as defined under the Listing Rules) exceeds 5%, therefore it is subject to the reporting, annual review, announcement requirements, and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The New Sales Framework Agreement is valid for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. For details of the renewal of the continuing connected transactions, please refer to the announcement and circular of the Company dated 23 November 2023 and 7 December 2023 respectively.

2. Outsourcing Framework Agreement

We outsource the production of certain of our products to associates of Mr. KX Chen and Mr. KC Chen ("**Connected Suppliers**") in the ordinary course of our business. On 19 February 2021, our Company entered into an outsourcing framework agreement with Mr. KX Chen and Mr. KC Chen on normal commercial terms ("**Outsourcing Framework Agreement**").

The purchase price payable by us to the Connected Suppliers under the Outsourcing Framework Agreement shall be determined with reference to the production costs of the relevant products plus a profit margin determined through arm's length negotiation with reference to comparable profit margin of independent third party manufacturers in the same industry.

The Connected Suppliers will provide a monthly invoice to us, and we shall make payment via wire transfer within 45 days from the first day of each month. The Outsourcing Framework Agreement is valid for a term of three years commencing from the Listing Date.

The annual caps for such transactions are approximately RMB279.9 million, RMB337.5 million and RMB410.1 million for the years ended 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2023, the total transaction amounts paid or payable was RMB140.5 million without exceeding the annual cap for such transactions.

As the Outsourcing Framework Agreement has expired on 31 December 2023, the Company has entered into the New Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen on 23 November 2023, and the annual caps for the three years ending 31 December 2024, 2025 and 2026 thereunder are RMB172.6 million, RMB193.3 million and RMB216.5 million respectively. For the purpose of the New Outsourcing Framework Agreement, its highest applicable percentage ratio (as defined under the Listing Rules) exceeds 5%, therefore it is subject to the reporting, annual review, announcement requirements, and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The New Outsourcing Framework Agreement is valid for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. For details of the renewal of the continuing connected transactions, please refer to the announcement and circular of the Company dated 23 November 2023 and 7 December 2023 respectively.

Waivers from Strict Compliance with the Listing Rules

The transactions described under the paragraph headed "Partially Exempt Continuing Connected Transactions" above constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent Shareholders' approval requirements but subject to the reporting, annual review, announcement requirements of the Listing Rules.

The transactions described under the paragraph headed "Non-Exempt Continuing Connected Transactions" above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and/or independent Shareholders' approval requirements (as applicable) in respect of these continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For more details of the above connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus and the announcement and circular of the Company dated 23 November 2023 and 7 December 2023 respectively.

Confirmation of Independent Non-executive Directors

In the opinion of the independent non-executive Directors, the continuing connected transactions above were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION FROM THE COMPANY'S INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

Save as disclosed in the Annual Report, as of the date of this annual report, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

Further details on related party transactions for the year ended 31 December 2023 are set out in note 39 to the consolidated financial statements.

Save as disclosed in the Annual Report, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rule.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of Director has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party for the year ended 31 December 2023 and up to the date of the Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in the Annual Report, at no time during the year ended 31 December 2023 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or minor children were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2023.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below are interests of our Directors in a business which may compete with our business for the purpose of Rule 8.10(2) of the Listing Rules as at the date of the Annual Report.

Name of Director	Name of Company	Interest
Ms. Chen Danxia	Ousia Australia Pty. Ltd ("**Ousia Australia**")	Beneficial interest in Danxia Chen family trust and directorship
	Liby Group and Shanghai Cogi (collectively the "**Chen's Family Business**")	Directorship

Ousia Australia is a Australian cosmetics company principally engaged in the production and sales of beauty and skincare products, such as facial cleanser, facial toner and lotion, sunscreen and eye cream, under the brand name "Glamourflage" and with a business presence primarily in Australia. Ousia Australia was acquired by Ms. Chen Danxia as part of her personal investment portfolio. Our Company and Ousia Australia have their own respective boards of directors that function independently of each other. The directorship of Ms. Chen Danxia in Ousia Australia Pty. Ltd is for the purpose of representing her interest on the board level of Ousia Australia. Whilst for the purpose of Rule 8.10(2) of the Listing Rules, Ms. Chen Danxia is regarded as having an interest in a potential competing business, she is a passive investor and is not involved in the day-to-day management of Ousia Australia. The day-to-day management and operations of Ousia Australia are performed by its chief operating officer, brand development manager and supply chain manager based in Australia.

Ms. Chen Danxia also holds directorships in Liby Group and Shanghai Cogi, part of the Chen family's businesses, which are owned and controlled by our Controlling Shareholders. The Chen's Family Business operates under the "Liby" (立白) brand and "COGI" brand in the consumer segment, such as fabric care, dish care and personal care product categories. For details of the competing interests of Ms. Chen Danxia in Liby Group and Shanghai Cogi, please see the section headed "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Management Independence" in the Prospectus.

The Independent non-executive Directors reviewed the competing interests held by Ms. Chen Danxia and considered that the possibility of Ousia Australia and Chen's Family Business competing with the Group is remote.

Saved as disclosed in the Annual Report, during the year ending 31 December 2023 to the date of the Annual Report, none of the Directors or their respective associates (as defined under the Listing Rules) had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws, the Company has arranged for appropriate insurance to cover all costs, charges, losses, expenses and liabilities incurred by any Directors or officers in the execution and discharge of his duties or in relation thereto. The relevant provisions in the Articles of Association and such directors and officers liability insurance were in force during the year ended 31 December 2023 and as of the date of the Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public as at the date of the Annual Report.

EVENTS AFTER THE PERIOD

As at the date of the Annual Report, there was no important event affecting the Group which occurred after the end of 31 December 2023.

AUDIT COMMITTEE

The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2023.

AUDITOR

Deloitte Touche Tohmatsu was appointed as auditor of the Company (the "**Auditor**") for the year ended 31 December 2023. Deloitte Touche Tohmatsu has audited the accompanying financial statements which were prepared in accordance with the International Financial Reporting Standards. There is no change of Auditor in the preceding three years.

Deloitte Touche Tohmatsu is subject to retirement and, being eligible, offers itself for re-appointment at the AGM. A resolution for re-appointment of Deloitte Touche Tohmatsu as Auditor will be proposed at the AGM.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 46 to 59 of the Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2023, the Group has complied with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules. Further details of the Group's ESG matters will be set out in the ESG Report to be published by the Company separately in due course and will be made available on the website of the Company and that of the Stock Exchange.

By Order of the Board
Chen Danxia
Executive Director, Chairman and Chief Executive Officer
Hong Kong, 25 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

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 Listing Rules as its own code of corporate governance. Save as disclosed in the Annual Report, 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. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

Board Composition

As at 31 December 2023 and up to the date of the Annual Report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Director

Ms. Chen Danxia *(Chairman)*
Mr. Xie Rusong
Mr. Zhong Xuyi

Non-Executive Director

Mr. Chen Zexing

Independent Non-executive Directors

Dr. Yu Rong
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

The biographies of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" of the Annual Report.

The Board considers that the composition of the Board provides a strong independent element with a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Company. The Company embraces the benefits of having Board members from a diversified spectrum, in particular the independent non-executive Directors. The Company also considers the diversity at the Board level as an essential element in maintaining the Company's competitive advantage. To ensure independent views and inputs are available to the Board, the Company has established mechanism to ensure independent views and input are available to the Board. Regular Board meetings were held during the year with open discussion among the Directors. The Company also seeks the development of an effective working environment for the Board so as to improve the communication efficiency without constraining the independent views of the independent non-executive Directors. During the year ended 31 December 2023, the Board has reviewed the implementation and effectiveness of the above mechanism.

During the year ended 31 December 2023, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

During the financial year ended 31 December 2023 to the date of the Annual Report, the Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent as at the date of the Annual Report.

Save as disclosed in the biographies of the Directors as set out in the section headed "Biographical Details of Directors and Senior Management" of the Annual Report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Board Diversity Policy

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to Board Diversity Policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, asset management, consumer goods and computer industries. They obtained academic degrees in various majors, including business administration, accounting, computer and marketing. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 34 years old to 57 years old. In terms of gender diversity, while there has already been one female Director on the Board as at 31 December 2023, the Company and the Nomination Committee recognise the importance and benefits of gender diversity at the Board level and ensure at least one member of the Board shall be female if necessary. As at 31 December 2023, the male to female ratio (including senior management) of the Group is approximately 52%:48%. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. While we recognize that the gender diversity at the Board can be improved, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of the Board members and compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will review and revisit the Board Diversity Policy and our diversity profile (including gender balance) at least once annually to ensure its continued effectiveness and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval. We will also disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis. During the financial year ended 31 December 2023, the Board and the Nomination Committee had reviewed the implementation and effectiveness of the Board Diversity Policy.

Induction and Continuous Professional Development

Each newly appointed Directors would be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided the Directors with written training materials in relation to their roles, functions and duties.

All Directors, prior to their appointments, have been given the training regarding the directors' duties and responsibilities, corporate governance and regulatory updates and relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

Based on the information provided by the Directors, during the year ended 31 December 2023, the Directors received the following trainings and updates in 2023:

Name of Directors	Attending seminars and/or conferences and/or forums relation to rules and regulations or duties of the directors	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Ms. Chen Danxia	✓	✓
Mr. Xie Rusong	✓	✓
Mr. Zhong Xuyi	✓	✓
Non-executive Director		
Mr. Chen Zexing	✓	✓
Independent Non-executive Directors		
Dr. Yu Rong	✓	✓
Mr. Guo Sheng	✓	✓
Mr. Chan Wan Tsun Adrian Alan	✓	✓

Chairman and Chief Executive Officer

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.

Appointment and Re-Election of Directors

Each of Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi, an executive Director, has entered into a service contract with the Company for an initial fixed term of three years commencing from 19 February 2024 and subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Mr. Chen Zexing, a non-executive Director, has entered into a letter of appointment with the Company, for an initial fixed term of three years commencing from 19 February 2024 and subject to termination in accordance with his term.

Each of Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan, an independent non-executive Director, has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 19 February 2024 and subject to termination in accordance with their respective terms.

Dr. Yu Rong, an independent non-executive Director, has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 14 October 2022 and subject to termination in accordance with their respective terms.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract or letter of appointment with the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

In accordance with Article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Accordingly, Mr. Chen Zexing, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-appointment of Directors and succession plans for the Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and the Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board papers are dispatched to the Directors or the Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or the Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and the Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors.

During the financial year ended 31 December 2023, five Board meetings and two general meetings were held. The attendance of each Director at the Board meeting is set out below:

	Attended/Eligible to attend	
Name of Directors	**Board meetings**	**General meetings**
Executive Directors		
Ms. Chen Danxia	5/5	2/2
Mr. Xie Rusong	5/5	2/2
Mr. Zhong Xuyi	5/5	2/2
Non-executive Director		
Mr. Chen Zexing	5/5	2/2
Independent Non-executive Directors		
Dr. Yu Rong	5/5	2/2
Mr. Guo Sheng	5/5	2/2
Mr. Chan Wan Tsun Adrian Alan	5/5	2/2

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has also adopted an insider dealing policy to govern and regulate securities transactions by employees who are likely to be in possession of inside information relating to the Company, the terms of which are no less exacting than those of the Model Code. Having made specific enquiry with the Directors, 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.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board confirmed that corporate governance is a collective responsibility of the Directors, which corporate governance functions includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and

(e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises four members, including one non-executive Director, namely Mr. Chen Zexing and three independent non-executive Directors, namely Mr. Chan Wan Tsun Adrian Alan, Dr. Yu Rong and Mr. Guo Sheng. The Audit Committee is chaired by Mr. Chan Wan Tsun Adrian Alan. The Audit Committee is provided with sufficient resources to discharge its duties.

The terms of reference of the Audit Committee are in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The primary duties of our Audit Committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board. The written terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company.

During the financial year ended 31 December 2023, the Audit Committee held two meetings to consider the Company's 2022 annual results announcement, 2022 annual report, 2023 interim results announcement and 2023 interim report, reviewed the financial reporting system, compliance procedures, internal control and risk management systems, re-appointment of the Auditor and discussed the audit plan for the year ended 31 December 2023 with the Auditor and made relevant recommendation to the Board.

The attendance of each Audit Committee member at the Audit Committee meeting during the financial year ended 31 December 2023 is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Chan Wan Tsun Adrian Alan	2/2
Mr. Chan Zexing	2/2
Mr. Guo Sheng	2/2
Dr. Yu Rong	2/2

The Audit Committee also met the external auditor once without the presence of the executive Directors.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director, namely, Ms. Chen Danxia, and two independent non-executive Directors, namely, Dr. Yu Rong and Mr. Guo Sheng. The Nomination Committee is chaired by Ms. Chen Danxia. The Nomination Committee is provided with sufficient resources to discharge its duties and when necessary, the Nomination Committee should seek independent professional advice to perform its responsibilities at the Company's expense.

The terms of reference of the Nomination Committee are in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The primary responsibilities of our nomination committee are to consider and recommend to our Board on the appointment and removal of Directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on regular basis.

The written terms of reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

Policy on Directors Nomination

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process as set out in the Nomination Policy:

(a) the Nomination Committee will, giving the consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(b) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from Shareholders with due consideration given to the criteria set out in the Nomination Policy;

(c) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks;

(d) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) the Board will have the final authority in determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be).

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. During the year ended 31 December 2023, there was no change in the composition of the Board.

During the year ended 31 December 2023, one meeting of the Nomination Committee was held to discuss and consider the following matters:

- reviewed the structure, size and composition of the Board;
- assessed independence of the independent non-executive Directors;
- reviewed the Nomination Policy;
- reviewed the Board Diversity Policy; and
- considered the re-appointment of the retiring Directors.

The attendance of each Nomination Committee member at the Nomination Committee meeting during the period during the financial year ended 31 December 2023 is set out in the table below:

Name of Directors	**Attended/ Eligible to attend**
Ms. Chen Danxia	1/1
Mr. Guo Sheng	1/1
Dr. Yu Rong	1/1

Remuneration Committee

The Remuneration Committee currently comprises three members, including one executive Director, namely, Ms. Chen Danxia, and two independent non-executive Directors, namely, Mr. Guo Sheng and Dr. Yu Rong. The Remuneration Committee is chaired by Mr. Guo Sheng. The Remuneration Committee is provided with sufficient resources to discharge its duties.

The terms of reference of the Remuneration Committee are in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and recommend to our Board the remuneration and other benefits paid by us to our Directors and senior management as well as to regularly monitor the appropriacy of levels of the remuneration and compensation of the Directors and senior management.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the financial year ended 31 December 2023, one meeting of the Remuneration Committee was held to discuss and consider the following matters:

- reviewed the remuneration of the Directors and senior management of the Company for the year of 2022;
- reviewed the remuneration policy and structure for the Directors and senior management of the Company for the year of 2023;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration; and
- reviewed and made recommendations to the Board on the Company's share incentive schemes under Chapter 17 of the Listing Rules.

The attendance of each Remuneration Committee member at the Remuneration Committee meeting during the financial year ended 31 December 2023 is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Guo Sheng	1/1
Ms. Chen Danxia	1/1
Dr. Yu Rong	1/1

Remuneration of Directors and Senior Management

The aggregate remuneration (including fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions) payable to the Directors for the year ended 31 December 2023 was approximately RMB16.6 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 15 to 20 of the Annual Report, for the year ended 31 December 2023, are set out below:

Band of remuneration	Number of individuals
Nil to RMB1,000,000	7
Over RMB1,000,000	5

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 60 to 64 of the Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Company's assets and the Shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk (including ESG risks) of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has established comprehensive risk management and internal control processes through which the Company monitors, evaluates and manages the risks that the Company is exposed to its business activities. The risk management procedure of the Company is based on the well-defined risk identification standards, risk monitor responsibilities and risk control measure of each major classification. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management. The risk management procedure of the Company clearly specifies the management duties, authorization and approval of each party in respect of the major risk identification and management, and develops clear written policy for significant risk management process and circulate it to all managements and staffs. The Company's internal control procedures are designed to provide reasonable assurance for achieving objectives, including efficient and stable operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year ended 31 December 2023, the Board has conducted a review of the effectiveness of the internal control system of the Group and considered the internal control system to be effective and adequate.

The Company has adopted various measures to ensure the effective implementation of the internal control system, including (i) establishing an Audit Committee to review and supervise our financial reporting process and internal control system; (ii) adopting various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; (iii) organizing training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; and (iv) conducting regular internal training for our employees and management on applicable laws and regulations to ensure awareness and compliance which cover various aspects of employee behavior during the ordinary business operations.

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules to ensure the confidentiality of handling inside information and the publication of respective disclosure to the public as soon as practicable. The Company will make corresponding information disclosure timely with regard to information that is unlikely to maintain confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders.

In conclusion, the Company believes that its internal control system is sufficient and effective.

DIVIDEND POLICY

Pursuant to the dividend policy adopted by the Company, the declaration of dividends is subject to the discretion of the Board, and, if necessary, the approval of the Shareholders. In considering the declaration and payment of dividends, the Board shall take into account the Group's results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by the Company, the Company's capital requirements, future business plans and prospects and any other factors that the Board may consider relevant. Any declaration and payment, as well as the amount, of any dividend will also be subject to the Articles of Association and all applicable laws and regulations. The Directors may reassess the dividend policy from time to time.

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. The Board may recommend a distribution of dividends in the future after taking into account our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Subject to the Companies Act and other applicable laws and regulations, the Company currently intend to pay approximately 80% of our consolidated profit attributable to Shareholders as dividends for the financial year ended 31 December 2023. For details of the final dividends proposed for 2023, please refer to "Directors' Report – Final Dividends" in the Annual Report. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration and payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter in the future.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Auditor in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to approximately RMB4.0 million and RMB1.7 million respectively. An analysis of the remuneration paid/payable to the Auditor, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service category	**Fee paid/payable RMB'000**
Audit services	4,043
Non-audit services[1]	1,721
	5,764

Note (1): The non-audit services included interim financial review, tax compliance and ESG related services.

COMPANY SECRETARY

Directors have access to the services of the joint company secretaries to ensure that the Board procedures are followed. Ms. Wang Dong ("**Ms. Wang**"), one of the joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Leung Shui Bing ("**Ms. Leung**"), a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary to assist Ms. Wang in discharging her duties as company secretary of the Company. Ms. Leung's primary corporate contact person at the Company is Ms. Wang.

In the financial year ended 31 December 2023, Ms. Wang and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides an opportunity for constructive communication between the Company and the Shareholders. The Chairman and the chairmen of the Board Committees of the Company or their delegates will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.cheerwin.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the financial year ended 31 December 2023, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution on each substantially separate issue will be proposed for voting at the general meeting, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the head office of the Company at No. 2, Luju Road, Liwan District, Guangzhou, Guangdong Province, China by mail or e-mail cheerwinhq@cheerwin.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the second amended and restated memorandum of association on 6 June 2022, which has been effective from 6 June 2022. During the year ended 31 December 2023, the said second amended and restated memorandum and articles of association did not have any change.

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHEERWIN GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Cheerwin Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 65 to 138, which comprise the consolidated statement of financial position as at 31 December 2023, and 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 then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
Allowance for finished goods	

We identified the allowance for finished goods as a key audit matter due to the significance of the balance to the consolidated financial statements and the management judgments and estimations involved in the identification of aged, obsolete and damaged finished goods and the determination of the net realisable value of the finished goods.
 	
Due to seasonality, the Group usually maintains higher amount of finished goods at the end of the reporting period to prepare for peak seasons in coming first and second quarters. The management identified the aged, obsolete and damaged finished goods based on aging, expiry date and current market conditions of the finished goods and determined the net realisable value based on the selling prices of finished goods subsequent to the end of reporting period less costs necessary to make the sale.
 	
As disclosed in note 4 to the consolidated financial statements, as at 31 December 2023, the carrying amount of finished goods was approximately RMB216,786,000 net of allowance of approximately RMB1,982,000.
	Our procedures in relation to allowance for finished goods included:
	
	• Obtaining an understanding of the Group's allowance policy on finished goods and the key controls on the management's process over the identification of aged, obsolete and damaged finished goods and the determination of the net realisable value of finished goods; and
	
	• Evaluating the reasonableness of the Group's allowance for finished goods by:
	
	    • Testing the aging analysis of finished goods, on a sample basis, to the production reports;
	
	    • Testing the expiry date of finished goods, on a sample basis, to the product labels;
	
	    • Tracing the latest selling prices, on a sample basis, to the relevant sales invoices; and
	
	    • Performing retrospective review on the accuracy of management's assessment relating to the allowance for finished goods.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Men.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2024

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	5	**1,615,585**	1,446,638
Cost of sales		**(897,327)**	(845,264)
Gross profit		**718,258**	601,374
Other income	6	**123,471**	76,001
Other gains and losses	7	**(10,405)**	9,818
Impairment losses reversed (recognised) in respect of trade receivables, net of reversal		**49**	(675)
Selling and distribution expenses	8	**(425,033)**	(435,254)
Administrative expenses		**(188,071)**	(163,928)
Finance cost	9	**(1,003)**	(863)
Profit before tax		**217,266**	86,473
Income tax expense	10	**(44,449)**	(21,017)
Profit for the year	11	**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)	14	**13.13**	4.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	As at 31 December 2023 RMB'000	2022 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**157,092**	163,963
Right-of-use assets	16	**33,758**	23,609
Intangible assets	17	**9,704**	11,645
Goodwill	18	**6,280**	3,925
Interest in an associate	20	**1,500**	–
Deposits paid for acquisition of property, plant and equipment		**173**	618
Financial assets at fair value through profit or loss ("**FVTPL**")	21	**136,143**	146,031
Time deposits	27	**272,447**	–
Deferred tax assets	22	**76,989**	68,064
		694,086	417,855
CURRENT ASSETS			
Inventories	23	**268,033**	319,177
Trade and other receivables	24	**87,632**	97,231
Tax recoverable		**836**	6,876
Amounts due from related parties	25	**12,800**	14,410
Other financial assets at amortised cost	26	**143,902**	357,910
Time deposits	27	**1,737,883**	1,455,986
Bank balances and cash	27	**890,973**	908,714
		3,142,059	3,160,304
CURRENT LIABILITIES			
Trade and other payables	28	**435,921**	415,200
Contract liabilities	29	**334,744**	243,719
Amounts due to related parties	25	**69,552**	66,548
Lease liabilities	30	**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	30	16,812	10,412
Deferred tax liabilities	22	11,406	8,270
Contingent consideration as liability at fair value through profit or loss	33	2,712	–
		30,930	18,682
NET ASSETS		2,937,472	2,824,568
CAPITAL AND RESERVES			
Share capital	31	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

The consolidated financial statements on pages 65 to 138 were approved and authorised for issue by the board of directors on 25 March 2024 and are signed on its behalf by:

Zhong Xuyi
DIRECTOR

Chen Danxia
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Translation reserve RMB'000	Merger reserve RMB'000	Share based payments reserve RMB'000	Statutory reserve RMB'000 (Note)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	2	2,465,311	30,115	(18,199)	(21,030)	7,097	30,430	240,035	2,733,761	1,498	2,735,259
Business combination under common control (Note 1.2)	–	–	–	–	1,000	–	–	2,427	3,427	–	3,427
At 1 January 2022 (restated)	2	2,465,311	30,115	(18,199)	(20,030)	7,097	30,430	242,462	2,737,188	1,498	2,738,686
Profit (loss) for the year	–	–	–	–	–	–	–	66,101	66,101	(645)	65,456
Other comprehensive income for the year	–	–	–	105,771	–	–	–	–	105,771	35	105,806
Total comprehensive income (expense) for the year	–	–	–	105,771	–	–	–	66,101	171,872	(610)	171,262
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(96,133)	(96,133)	–	(96,133)
Arising on acquisition of subsidiaries (Note 33)	–	–	–	–	–	–	–	–	–	6,409	6,409
Recognition of share-based payments (Note 32)	–	–	–	–	–	4,344	–	–	4,344	–	4,344
Transfer to statutory reserve	–	–	–	–	–	–	3,191	(3,191)	–	–	–
At 31 December 2022 (restated)	2	2,465,311	30,115	87,572	(20,030)	11,441	33,621	209,239	2,817,271	7,297	2,824,568
Profit (loss) for the year	–	–	–	–	–	–	–	175,016	175,016	(2,199)	172,817
Other comprehensive income for the year	–	–	–	18,637	–	–	–	–	18,637	35	18,672
Total comprehensive income (expense) for the year	–	–	–	18,637	–	–	–	175,016	193,653	(2,164)	191,489
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(84,000)	(84,000)	–	(84,000)
Merger reserve arising from common control combination (Note 1.2)	–	–	–	–	(5,036)	–	–	–	(5,036)	–	(5,036)
Arising on acquisition of subsidiaries (Note 33)	–	–	–	–	–	–	–	–	–	4,974	4,974
Recognition of share-based payments (Note 32)	–	–	–	–	–	5,477	–	–	5,477	–	5,477
Transfer to statutory reserve	–	–	–	–	–	–	2,473	(2,473)	–	–	–
At 31 December 2023	2	2,465,311	30,115	106,209	(25,066)	16,918	36,094	297,782	2,927,365	10,107	2,937,472

Note: Pursuant to the relevant laws and regulations in the People's Republic of China (the "**PRC**"), subsidiaries established in the PRC are required to transfer a portion of the profit after taxation to the statutory surplus reserve as approved by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to offset the prior year losses, if any, and/or (ii) in capital conversion.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
		(restated)
OPERATING ACTIVITIES		
Profit before tax	217,266	86,473
Adjustments for:		
Impairment losses (reversed) recognised in respect of trade receivables, net of reversal	(49)	675
Impairment losses recognised in respect of goodwill	3,925	–
Impairment losses recognised in respect of intangible assets	9,323	–
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
Interest income	(91,362)	(48,065)
Investment income	(3,218)	(7,925)
Losses (gains) on fair value changes of financial assets at fair value through profit or loss	9,888	(21,431)
Interest expense on lease liabilities	1,003	863
Write-down (reversals of write-down) of inventories	1,769	(1,303)
Share-based payment expenses	5,477	4,344
(Gains) losses on disposal/write-off of property, plant and equipment and right-of-use assets	(67)	70
Non-cash donations	847	2,886
Operating cash flows before movements in working capital	190,776	48,693
Decrease in inventories	50,689	20,649
Decrease (increase) in trade and other receivables	12,393	(22,921)
Decrease (increase) in amounts due from related parties	1,610	(2,848)
Increase (decrease) in trade and other payables	11,718	(8,470)
Increase in contract liabilities	89,866	74,653
Increase (decrease) in amounts due to related parties	3,004	(10,217)
Cash generated from operations	360,056	99,539
Income tax paid	(33,141)	(27,858)
NET CASH GENERATED FROM OPERATING ACTIVITIES	326,915	71,681

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
		(restated)
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(340,000)	(597,700)
Placement of time deposits	(2,279,854)	(7,002,427)
Purchase of financial assets at amortised cost	(143,557)	(497,873)
Withdrawal of financial assets at amortised cost	362,681	142,678
Purchase and deposits paid for acquisition of property, plant and equipment	(15,312)	(11,600)
Upfront payments for leasehold lands	–	(200)
Payments for acquisition of subsidiaries, net of cash acquired (Note 33)	(2,246)	(4,396)
Payments for acquisition of interest in an associate (Note 20)	(1,500)	–
Consideration paid for business combination under common control (Note 1.2)	(5,036)	–
Proceeds on disposal of property, plant and equipment	151	113
Receipt of interest income from other financial assets at amortised cost	18,025	–
Receipt of investment income from financial assets at FVTPL	3,218	7,925
Interest income received	34,213	29,812
Proceeds on disposal of financial assets at FVTPL	340,000	540,000
Withdrawal of time deposits	1,985,287	6,104,245
NET CASH USED IN INVESTING ACTIVITIES	(43,930)	(1,289,423)
FINANCING ACTIVITIES		
Finance cost paid	(1,003)	(863)
Repayments of lease liabilities	(8,626)	(7,066)
Share issue cost paid	–	(1,473)
Dividends paid	(84,000)	(96,133)
NET CASH USED IN FINANCING ACTIVITIES	(93,629)	(105,535)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	189,356	(1,323,277)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,340,980	2,558,451
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	13,088	105,806
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	1,543,424	1,340,980
Bank balances and cash	890,973	908,714
Time deposits with maturity of three months or less	652,451	432,266
	1,543,424	1,340,980

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 before the Acquisition, 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.

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

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

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 in Note 22 but it has no impact on the retained earnings at the earliest period presented.

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

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

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 set out in Note 3 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations (continued)

Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Sales of goods

The Group sells household insecticides and repellents, household cleaning, air care, personal care, pet products and other cleaning products to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

For contracts that contain variable consideration (e.g. sales returns or volume rebates), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group recognises a refund liability (included in trade and other payables) if the Group expects to refund some or all of the consideration received from customers.

For a sale of products with a right of return, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Foreign currencies

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment on property, plant and equipment and right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Impairment on property, plant and equipment and right-of-use assets and intangible assets other than goodwill (continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("**FVTOCI**") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, amounts due from related parties, other financial assets at amortised cost, time deposits and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade-related balances with related parties.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties and lease liabilities) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for finished goods

The Group records finished goods at the lower of cost and net realisable value. Regular operational procedures have been in place to monitor the allowance for finished goods due to the significant balance involved and nature of the finished goods is subject to expiry date. Due to seasonality, the Group usually maintains higher amount of finished goods at the end of the reporting period to prepare for peak seasons in coming first and second quarters. The management identifies the aged, obsolete and damaged finished goods based on aging, expiry date and/or current market conditions of the finished goods and determines the net realisable value for finished goods with reference to the selling price for finished goods subsequent to the end of reporting period less costs necessary to make the sales. Although the Group carries out regular reviews on the net realisable value of finished goods, the actual realisable value of finished goods is not known until the sales is concluded.

As at 31 December 2023, the carrying amounts of finished goods of the Group were approximately RMB216,786,000 (2022: RMB257,470,000), net of allowance for finished goods of approximately RMB1,982,000 (2022: RMB796,000).

Provision of ECL for trade receivables and amounts due from related parties

Credit-impaired trade receivables, trade receivables with significant balances and trade-related balances with related parties are assessed for ECL individually. In addition, for trade receivables which are individually insignificant, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. The loss rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of ECL for trade receivables and amounts due from related parties (continued)

The information about the Group's trade receivables and amounts due from related parties and the ECL assessment is disclosed in Notes 24, 25 and 36, respectively. As at 31 December 2023, the carrying amounts of the Group's trade receivables were approximately RMB15,616,000 (2022: RMB21,303,000), net of allowance for credit losses of approximately RMB894,000 (2022: RMB943,000). As at 31 December 2023, the carrying amounts of the Group's amounts due from related parties (excluding prepayments to related parties) were approximately RMB12,361,000 (2022: RMB14,071,000).

Variable consideration for volume rebates

The Group includes in the transaction price some or all of an amount of variable considerations only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group estimates variable consideration to be included in the transaction price for the sales of products with volume rebates.

The Group's volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group assesses the expected annualised volume rebates regularly and accrued sales rebates are adjusted accordingly. Estimates of expected annualised volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of a customer's actual rebate entitlements in the future. As at 31 December 2023, the amounts recognised as accrued sales rebates were approximately RMB182,340,000 (2022: RMB166,034,000) for the expected volume rebates.

Fair value measurement of financial instruments

As at 31 December 2023, certain of the Group's financial assets, being unlisted investments at FVTPL amounting to RMB136,143,000 (2022: RMB146,031,000), are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 21 for further disclosures.

5. 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*.

5. REVENUE AND SEGMENT INFORMATION (continued)

(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 as set out in Note 39. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective years.

6. 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.

7. 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 (Note 21)	**(9,888)**	21,431
Others	**(142)**	–
	(10,405)	9,818

8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2023 RMB'000	2022 RMB'000 (restated)
Staff costs	**71,752**	57,986
Promotion expenses	**64,174**	73,322
E-commerce channel promotion expenses	**143,110**	134,837
Advertising service expenses	**37,324**	53,680
Transportation and storage expenses	**80,524**	96,906
Marketing expenses	**21,324**	17,880
Others	**6,825**	643
	425,033	435,254

9. FINANCE COST

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

10. INCOME TAX EXPENSE

	Year ended 31 December 2023 RMB'000	2022 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 (Note 22)	**(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.

10. INCOME TAX EXPENSE (continued)

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

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

Income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
		(restated)
Profit before tax	**217,266**	86,473
Tax at PRC EIT rate of 25%	**54,317**	21,618
Tax effect of income not taxable for tax purpose	**(2,673)**	–
Tax effect of super deduction for research and development expenses (Note)	**(6,165)**	(6,280)
Tax effect of expenses not deductible for tax purpose	**8,334**	4,164
Tax effect of deductible temporary differences and tax losses not recognised	**12,391**	17,018
Utilisation of tax loss previously not recognised	**–**	(2,324)
Effect on preferential tax rate of a subsidiary	**(18,844)**	(13,065)
Overprovision in prior year	**(2,911)**	(114)
Income tax expense for the year	**44,449**	21,017

Note: The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 100% (2022: 100%) tax deduction in the calculation of income tax expense for the year ended 31 December 2023 and 2022.

11. 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 (Note 12)	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).

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2023

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000 (Note i)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors						
Chen Danxia (Note ii)	–	6,875	–	3,889	43	10,807
Xie Rusong	–	2,793	–	227	68	3,088
Zhong Xuyi	–	900	351	227	43	1,521
Non-executive director						
Chen Zexing	300	–	–	–	–	300
Independent non-executive directors						
Guo Sheng	300	–	–	–	–	300
Yu Rong (Note iii)	300	–	–	–	–	300
Chan Wan Tsun Adrian Alan	300	–	–	–	–	300
	1,200	10,568	351	4,343	154	16,616

Year ended 31 December 2022

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000 (Note i)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors						
Chen Danxia (Note ii)	–	6,868	–	3,216	42	10,126
Xie Rusong	–	2,871	–	200	63	3,134
Zhong Xuyi	–	889	345	200	42	1,476
Non-executive director						
Chen Zexing	300	–	–	–	–	300
Independent non-executive directors						
Guo Sheng	300	–	–	–	–	300
De-Chao Michael Yu (Note iii)	236	–	–	–	–	236
Yu Rong (Note iii)	65	–	–	–	–	65
Chan Wan Tsun Adrian Alan	300	–	–	–	–	300
	1,201	10,628	345	3,616	147	15,937

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Notes:

(i) The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) Ms. Chen Danxia is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

(iii) On 14 October 2022, Dr. De-Chao Michael Yu has resigned from the independent non-executive director of the Company and Dr. Yu Rong has been appointed as an independent non-executive Director of the Company on the same date.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

None of the directors nor chief executive waived or agreed to waive any emoluments during both years.

Employees' emoluments

The five highest paid individuals of the Group included three (2022: three) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2022: two) individuals who are neither a director nor chief executive of the Company, are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and allowances	**2,330**	2,262
Performance related bonus	**230**	230
Retirement benefits scheme contributions	**86**	84
Share-based payment expenses	**454**	400
	3,100	2,976

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	Number of employees	
	2023	2022
HK$1,500,001 to HK$2,000,000	**2**	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

13. 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.

14. 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2022 (restated)	117,064	86,529	2,845	23,816	3,344	233,598
Additions	–	4,271	11	5,016	6,432	15,730
Transfer	7,910	1,866	–	–	(9,776)	–
Disposals	–	(1,020)	(230)	(5)	–	(1,255)
At 31 December 2022 (restated)	124,974	91,646	2,626	28,827	–	248,073
Additions	–	3,056	1,936	8,912	2,450	16,354
Acquired on acquisition of a subsidiary (Note 33)	–	–	–	2,632	–	2,632
Transfer	2,058	392	–	–	(2,450)	–
Disposals	–	(530)	(5)	(180)	–	(715)
At 31 December 2023	**127,032**	**94,564**	**4,557**	**40,191**	**–**	**266,344**
ACCUMULATED DEPRECIATION						
At 1 January 2022 (restated)	16,701	30,915	1,757	11,319	–	60,692
Provided for the year	6,645	13,987	410	3,448	–	24,490
Eliminated on disposals	–	(848)	(219)	(5)	–	(1,072)
At 31 December 2022 (restated)	23,346	44,054	1,948	14,762	–	84,110
Provided for the year	6,964	13,551	556	4,584	–	25,655
Eliminated on disposals	–	(351)	(5)	(157)	–	(513)
At 31 December 2023	**30,310**	**57,254**	**2,499**	**19,189**	**–**	**109,252**
CARRYING VALUES						
At 31 December 2023	**96,722**	**37,310**	**2,058**	**21,002**	**–**	**157,092**
At 31 December 2022 (restated)	101,628	47,592	678	14,065	–	163,963

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over the following years after taking into account the residual values:

	Useful lives
Buildings	20 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 to 5 years

16. RIGHT-OF-USE ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Carrying amounts:		
Leased properties	**26,060**	15,677
Leasehold lands	**7,698**	7,932
	33,758	23,609

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation recognised in profit or loss:		
Leased properties	**9,764**	7,342
Leasehold lands	**237**	235
	10,001	7,577

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Expense relating to short-term leases	**2,935**	668
Total cash outflow for leases	**12,564**	8,597
Additions to right-of-use assets	**20,943**	8,971

The Group leases various offices for its operation. Lease contracts are entered into for fixed term of 2 years to 6 years with fixed payments. In addition, lump sum payments were made upfront to acquire the land use rights in the PRC, where its manufacturing facilities are primarily located. The Group does not have the option to purchase the leasehold lands and leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

The Group regularly entered into short-term leases for warehouses. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. INTANGIBLE ASSETS

	Patents RMB'000	Brand names RMB'000	Total RMB'000
COST			
At 1 January 2022	–	–	–
Arising on acquisition of subsidiaries (Note 33)	3,184	8,500	11,684
At 31 December 2022	3,184	8,500	11,684
Arising on acquisition of subsidiaries (Note 33)	–	7,700	7,700
At 31 December 2023	**3,184**	**16,200**	**19,384**
AMORTISATION			
At 1 January 2022	–	–	–
Charge for the year	39	–	39
At 31 December 2022	39	–	39
Charge for the year	318	–	318
At 31 December 2023	**357**	**–**	**357**
IMPAIRMENT			
At 1 January 2022 and 31 December 2022	–	–	–
Impairment loss recognised in the year	2,827	6,496	9,323
At 31 December 2023	**2,827**	**6,496**	**9,323**
CARRYING VALUES			
At 31 December 2023	**–**	**9,704**	**9,704**
At 31 December 2022	3,145	8,500	11,645

Patents have estimated useful lives of 10 years and are amortised on a straight-line basis. An impairment loss of RMB2,827,000 (2022: nil) is recognised for patents. Details are set out in Note 19.

Intangible assets with indefinite lives recorded by the Group are the brand names. The Group expects to renew the registration of the brand names at each expiry date indefinitely, and expects the assets to generate economic benefit in perpetuity. As such, the Group assessed the intangible assets to have indefinite useful lives. The brand names will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 19.

The management of the Group concluded there was indication for impairment of Shenzhen Zhuazhua Group and conducted impairment assessment on intangible assets with finite lives with carrying amounts of zero.

17. INTANGIBLE ASSETS (continued)

The recoverable amounts of the intangible assets with finite lives of Shenzhen Zhuazhua Group had been determined based on their fair value less costs of disposal. The Group used direct comparison to estimate the fair value less costs of disposal of the assets which is based on the multi-period excess earnings method, whereby the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. Key assumptions used in the valuation included projected profits over a period of 5 years with a terminal value, royalty rate of 1.5% and a discount rate of 18%. The fair value measurement is categorised into Level 3 fair value hierarchy. The relevant assets were impaired to their recoverable amount of zero, which is their carrying values at year end and the impairment of RMB2,827,000 has been recognised in profit or loss within the relevant functions to which these assets relate during the year. No sensitivity is presented as the management of the Group considered that the slight change in relevant inputs would not have a significant impact to the fair value.

18. GOODWILL

	Acquisition of Shenzhen Zhuazhua Group	Acquisition of Shenzhen Mileyun and Shenzhen Jindouzi	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2022	–	–	–
Arising on acquisition of subsidiaries (Note 33)	3,925	–	3,925
At 1 January 2023	**3,925**	**–**	**3,925**
Arising on acquisition of subsidiaries (Note 33)	**–**	**6,280**	**6,280**
At 31 December 2023	**3,925**	**6,280**	**10,205**
IMPAIRMENT			
At 1 January 2022 and 1 January 2023	–	–	–
Impairment loss recognised in the year	**3,925**	**–**	**3,925**
At 31 December 2023	**3,925**	**–**	**3,925**
CARRYING VALUES			
At 31 December 2023	**–**	**6,280**	**6,280**
At 31 December 2022	3,925	–	3,925

The goodwill was arising from acquisition of Shenzhen Zhuazhua Technology Co., Ltd ("**Shenzhen Zhuazhua**") and its subsidiaries (collectively as "**Shenzhen Zhuazhua Group**") on 29 November 2022 and acquisition of Shenzhen Mileyun Information Technology Co., Ltd ("**Shenzhen Mileyun**") on 10 October 2023 as set out in Note 33.

Particulars regarding impairment testing on goodwill are disclosed in Note 19.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and intangible assets with indefinite useful lives have been allocated to two individual cash-generating units, namely Shenzhen Zhuazhua Group and Shenzhen Mileyun respectively. The carrying amount of goodwill and intangible assets with indefinite useful lives allocated to these units are as follows:

	Goodwill		Brand names	
	31/12/2023	31/12/2022	**31/12/2023**	31/12/2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Shenzhen Zhuazhua Group	**–**	3,925	**2,004**	8,500
Shenzhen Mileyun	**6,280**	–	**7,700**	–
	6,280	3,925	**9,704**	8,500

In addition to goodwill and brand names above, property, plant and equipment and intangible assets that generate cash flows together with the related goodwill and brand names are also included in the respective cash-generating unit for the purpose of impairment assessment.

The recoverable amounts of these units have been determined based on a value in use calculations. The calculations use cash flow projections of Shenzhen Zhuazhua Group and Shenzhen Mileyun based on financial budgets approved by management covering a 5-year (2022: 5-year) period.

The following table sets out the key assumptions for the value in use calculation of the CGUs that have significant goodwill or intangible assets with indefinite useful lives:

	2023		2022	
	Shenzhen Zhuazhua Group	**Shenzhen Mileyun**	Shenzhen Zhuazhua Group	Shenzhen Mileyun
Pre-tax discount rate	**19.81%**	**20.71%**	22.06%	N/A
Long-term growth rate	**2%**	**2%**	2%	N/A

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the CGUs.

Cash flows beyond the 5-year (2022: 5-year) period are extrapolated using the estimated growth rates stated above. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGUs' past performance and management's expectations for the market development.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

Shenzhen Zhuazhua Group

During the year ended 31 December 2023, there was decline in financial performance of Shenzhen Zhuazhua Group for the year. Management of the Group had consequently determined impairment of goodwill directly related to Shenzhen Zhuazhua Group amounting to RMB3,925,000. Goodwill related to Shenzhen Zhuazhua Group amounting to RMB3,925,000 had been fully impaired and impairment amounting to RMB9,280,000 has been allocated pro rata to intangible assets to the extent the carrying amount of the asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. Details are set out in Note 17. The recoverable amount of Shenzhen Zhuazhua Group amounted to RMB4,796,000 as at 31 December 2023.

If the discount rate was changed to 20.81%, while other parameters remain constant, the recoverable amount of Shenzhen Zhuazhua Group would be reduced to RMB4,104,000 and a further impairment of intangible asset in Shenzhen Zhuazhua Group of RMB115,000 would be recognised.

The recoverable amounts of the intangible asset with indefinite life of Shenzhen Zhuazhua Group had been determined based on its fair value less costs of disposal. The Group used direct comparison to estimate the fair value less costs of disposal of the asset which is based on the royalty rate method by capitalising future royalty income which a market participant would be willing to pay to use the brand name for the remaining term of the brand name. Key assumptions used in the valuation included projected future sales over a period of 5 years (2022: 5 years) with a terminal value, royalty rate of 1.5% (2022: 4%) and a discount rate of 18% (2022: 18%). The fair value measurement is categorised into Level 3 fair value hierarchy. The relevant asset was impaired to its recoverable amount of RMB2,004,000, which is its carrying value at year end and the impairment of RMB6,496,000 has been recognised in profit or loss within the relevant functions to which these assets relate during the year. No sensitivity is presented as the management of the Group considered that the slight change in relevant inputs would not have a significant impact to the fair value.

Shenzhen Mileyun

During the year ended 31 December 2023, management of the Group determines that there is no impairment on Shenzhen Mileyun. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each of the CGU to exceed the aggregate recoverable amount of each of the CGU.

20. INTEREST IN AN ASSOCIATE

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Investment in an associate under equity method	**1,500**	–

Details of the Group's associates at the end of the reporting periods are as follows:

Name of associates	Place of incorporation/ establishment/ principal place of business	Proportion of ownership interests/voting rights held by the Group		Principal activities
		2023	2022	
Wuhan Zhongbo Lvya Biotechnology Co., Limited ("**Zhongbo Lvya**") (Note i)	The PRC	**30%**	30%	Development and production of pet products
Yunnan Yunbang Co., Limited ("**Yunnan Yunbang**") (Note ii)	The PRC	**49%**	–	Production and sales of pet products

Notes:

(i) In April 2022, the Group invested in 30% equity interest in Zhongbo Lvya at a cash consideration of approximately RMB57,700,000. The Group has the power to appoint one out of the three directors of Zhongbo Lvya under the Article of Association of Zhongbo Lvya. The Group considers it has the power to exercise and has significant influence over the operating and financing activities of Zhongbo Lvya and Zhongbo Lvya became an associate of the Group upon the completion of the transaction. As disclosed in Note 21, the Group's investment are redeemable and are accounted for as a financial asset at FVTPL.

(ii) During the year ended 31 December 2023, the Group invested in 49% equity interest in Yunnan Yunbang at a cash consideration of RMB1,500,000. The Group has the power to appoint one out of the three directors of Yunnan Yunbang under the Article of Association. As such, the Group exercises significant influence in deciding the associate's financial and operating policy, the resolution of which required approval by simple majority of the Board and accordingly Yunnan Yunbang became an associate upon the transaction. The investment in Yunnan Yunbang is accounted for using the equity method.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Unlisted investments		
Financial assets at FVTPL	136,143	146,031

The unlisted equity investments represent the Group's equity interests in the below companies.

i) During the year ended 31 December 2021, the Group invested in 3.046% equity interest in a private entity established in the PRC at a consideration of approximately RMB66,900,000. As at 31 December 2023, the fair value of the investment amounted to approximately RMB79,587,000 (2022: RMB86,469,000), and a fair value loss of approximately RMB6,882,000 (2022: a fair value gain of approximately RMB19,569,000) was recognised in profit or loss for the year ended 31 December 2023.

ii) According to the investment agreement, under certain circumstances, the Group has the right to request Zhongbo Lvya and its controlling shareholder to buy back the 30% equity interest at the original investment amount plus a fixed return of 8% interest per annum. Due to the existence of redemption right, the investment in Zhongbo Lvya was accounted for as a financial asset at FVTPL. As at 31 December 2023, the fair value of the investment amounted to approximately RMB56,556,000 (2022: RMB59,562,000), and a fair value loss of approximately RMB3,006,000 (2022: a fair value gain of approximately RMB1,862,000) was recognised in profit or loss for the year ended 31 December 2023.

22. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets	76,989	68,064
Deferred tax liabilities	(11,406)	(8,270)
	65,583	59,794

22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Accrued sales rebates	Unrealised profit on inventories	Right-of-use assets	Lease liabilities	Unrealised profit on financial assets at FVTPL	Intangible assets acquired in business combinations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	47,097	6,999	–	–	–	–	38	54,134
Adjustment (Note 2.1)	–	–	3,724	(3,724)	–	–	–	–
At 1 January 2022 (restated)	47,097	6,999	3,724	(3,724)	–	–	38	54,134
Credited (charged) to profit or loss (Note 10)	15,930	(2,021)	426	(426)	(5,358)	10	21	8,582
Acquisition of subsidiaries (Note 33)	–	–	–	–	–	(2,922)	–	(2,922)
At 31 December 2022	63,027	4,978	4,150	(4,150)	(5,358)	(2,912)	59	59,794
Credited (charged) to profit or loss (Note 10)	3,102	(1,008)	2,316	(1,847)	2,472	2,410	365	7,810
Acquisition of subsidiaries (Note 33)	–	–	–	–	–	(2,021)	–	(2,021)
At 31 December 2023	66,129	3,970	6,466	(5,997)	(2,886)	(2,523)	424	65,583

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB267,715,000 as at 31 December 2023 (2022: RMB134,785,000 (restated)), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2023, the Group has unused tax losses of approximately RMB67,827,000 (2022: RMB47,603,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB67,827,000 (2022: RMB47,603,000) with expiry dates as disclosed in the following table.

22. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
2025	13,312	13,312
2026	23,826	23,826
2027	10,465	10,465
2028	20,224	–
Total	67,827	47,603

As at 31 December 2023, the Group has deductible temporary differences of approximately RMB164,186,000 (2022: RMB134,846,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	37,601	47,148
Work-in-progress	13,646	14,559
Finished goods	216,786	257,470
	268,033	319,177

24. 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

24. TRADE AND OTHER RECEIVABLES (continued)

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

As at 31 December 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB8,189,000 (2022: RMB8,369,000) which are past due as at the reporting date. In particular, for trade receivable past due as at 31 December 2023, carrying amount of RMB4,629,000 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.

Details of impairment assessment are set out in Note 36(b).

25. AMOUNTS DUE FROM (TO) RELATED PARTIES

The Group

Amounts due from related parties

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade nature (Notes a & b)		
– Guangdong Liby Washing Products Company Limited	8,263	9,202
– Shanghai Liby Shiye Company Limited	3,400	4,373
– Tianjin Liby Product Sales Company Limited	–	54
– Chengdu Liby Shiye Company Limited	109	362
– Nanjing Liby Rihua Company Limited	–	80
– Shanghai New COGI Cosmetic Co., Ltd	589	–
	12,361	14,071

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade related prepayments (Note a)		
– Guangzhou Zhanze Property Management Company Limited	439	339
	12,800	14,410

As at 1 January 2022, amounts due from related parties with trade nature amounted to approximately RMB14,779,000 (restated).

Notes:

(a) These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

(b) Trade related balances with related parties arose from sales of goods. In general, 45 days credit period is allowed. The amounts were unsecured and interest-free.

The following is the aged analysis of trade related balances (excluding prepayments to related parties) with related parties at the end of each reporting period presented based on the invoice date.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 45 days	8,001	6,164
46–90 days	4,013	7,670
91–135 days	347	237
	12,361	14,071

As at 31 December 2023, included in the Group's trade related balances with related parties approximately RMB4,360,000 (2022: RMB7,907,000) were past due as at the reporting date. No balance was past due over 90 days at the year end. The Group did not hold any collateral over these balances.

Details of impairment assessment are set out in Note 36(b).

25. AMOUNTS DUE FROM (TO) RELATED PARTIES (continued)

The Group (continued)

Amounts due to related parties

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade nature (Note)		
– Guangzhou Liby Group Company Limited	34,891	26,883
– Xinxiang Liby Shiye Company Limited	8,979	10,763
– Guangzhou Liby (Panyu) Company Limited	10,039	11,414
– Maanshan Liby Rihua Company Limited	9,589	10,993
– Siping Liby Rihua Company Limited	2,968	3,283
– Liby Rihua Company Limited	257	185
– Sichuan Liby Shiye Company Limited	2,829	3,027
	69,552	66,548

Note:

These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

Trade related balances with related parties arose from purchase of goods and provision of services. In general, 30 to 60 days credit period is allowed. These balances were unsecured and interest-free.

The following is an aged analysis of the Group's trade related balances with related parties at the end of each reporting period presented based on invoice date:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 30 days	47,253	19,056
31–60 days	10,005	16,400
61–90 days	10,503	15,089
91–180 days	1,575	2,615
181–365 days	216	13,388
	69,552	66,548

26. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Other investments		
– principal	**141,654**	355,195
– interest receivables	**2,248**	2,715
	143,902	357,910

As at 31 December 2023, other investments include asset management plans of US$20,000,000 (equivalent to RMB141,654,000) and its corresponding interest receivables with fixed interest rate at 5.80% per annum. The asset management plans are redeemable anytime at the Group's request and the interest is paid on a quarterly basis.

Since the contractual cash flows of the asset management plans represent solely the payments of principal and interest on the principal amount outstanding, the investment in asset management plans are measured at amortised cost.

Subsequent to the end of the reporting period, the asset management plans were fully redeemed.

27. TIME DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2023, time deposits of RMB2,010,330,000 (2022: RMB1,455,986,000) carried fixed-rates ranging from 2.90% to 5.60% (2022: 3.20% to 5.18%) per annum.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Time deposits with maturity of three months or less	**652,451**	432,266
Time deposits with maturity of more than three months but less than one year	**1,038,319**	1,008,182
Time deposits with maturity of more than one year	**269,985**	–
	1,960,755	1,440,448
Interest receivables	**49,575**	15,538
	2,010,330	1,455,986
Presented as:		
Current	**1,737,883**	1,455,986
Non-current	**272,447**	–

Bank balances and cash consists of demand deposits and cash on hand. Bank balances carry interest at prevailing market rates ranging from 0.10% to 0.30% (2022: 0.10% to 0.30%) per annum as at 31 December 2023.

28. 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

29. CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Receipts in advances from customers		
– finished goods	**334,744**	243,719

As at 1 January 2022, contract liabilities amounted to RMB169,066,000.

The Group generally requires advance payments from majority of its customers before delivery of goods. This will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

The following table shows how much of the revenue recognised for the years ended 31 December 2023 and 2022 relates to the contract liabilities at the beginning of the year:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised during the year	**243,719**	169,066

30. LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**11,208**	6,202
Within a period of more than one year but not more than two years	**8,623**	4,735
Within a period of more than two years but not more than five years	**7,526**	5,677
Within a period of more than five years	**663**	–
	28,020	16,614
Less: Amount due for settlement within 12 months shown under current liabilities	**(11,208)**	(6,202)
Amount due for settlement after 12 months shown under non-current liabilities	**16,812**	10,412

When recognising the lease liabilities for leases, the Group has applied incremental borrowing rates of the relevant group entities at the leases commencement/modification dates. The weighted average incremental borrowing rates applied by the relevant group entities are 4.75% (2022: 4.75%) per annum.

31. SHARE CAPITAL

	Par value	Number of shares	Share capital	Presented as
			USD	RMB'000
Authorised:				
At 1 January 2022, 31 December 2022 and 31 December 2023	USD0.0000002	250,000,000,000	50,000	
Issued and fully paid:				
At 1 January 2022, 31 December 2022 and 31 December 2023	USD0.0000002	1,333,333,500	267	2

32. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme

On 3 June 2021, the Company has adopted the share award scheme (the "**Share Award Scheme**") with effect from 23 December 2021 to recognise the contribution of and provide incentives for the key management personnel including directors and senior management and employees of the Group ("**Selected Participants**"). Under the Share Award Scheme, the board of directors of the Company may grant shares to eligible employees, including directors of the Company and its subsidiaries.

The Share Award Scheme is effective from 3 June 2021 and shall continue in full force and effect for a term of 10 years or until such date of early termination as determined by the Company.

The Company appointed two trustees to hold the awarded shares for the benefit of the Selected Participants. The awarded shares granted under the Share Award Scheme is existing shares transferred from Cheerwin Global BVI, the Company's immediate holding company, to the trustees without consideration involved. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme in any 12-month period shall not exceed 1.5% of the number of issued share capital of the Company.

The vesting conditions of the awarded shares granted to Ms. Chen Danxia are linked to revenue growth and net profit growth of the Group. The vesting conditions of the awarded shares granted to other directors and employees are linked to individual key performance indicators.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Award Scheme (continued)

Details of the movements of the outstanding awarded shares granted under the Share Award Scheme during the year ended 31 December 2023 are as follows:

	Average fair value per share	Date of grant	Outstanding at 1/1/2023 '000	Granted during the year '000	Vested during the year '000	Forfeited during the year '000	Outstanding at 31/12/2023 '000 (Note)
Executive directors							
Ms. Chen Danxia	HK$4.33	23.09.2021	7,500	–	–	–	7,500
Mr. Xie Rusong	HK$4.33	23.09.2021	300	–	–	–	300
Mr. Zhong Xuyi	HK$4.33	23.09.2021	300	–	–	–	300
Employees	HK$4.33	23.09.2021	1,500	–	–	–	1,500
Total			9,600	–	–	–	9,600

Details of the movements of the outstanding awarded shares granted under the Share Award Scheme during the year ended 31 December 2022 are as follows:

	Average fair value per share	Date of grant	Outstanding at 1/1/2022 '000	Granted during the year '000	Vested during the year '000	Forfeited during the year '000	Outstanding at 31/12/2022 '000 (Note)
Executive directors							
Ms. Chen Danxia	HK$4.33	23.09.2021	15,000	–	–	(7,500)	7,500
Mr. Xie Rusong	HK$4.33	23.09.2021	600	–	–	(300)	300
Mr. Zhong Xuyi	HK$4.33	23.09.2021	600	–	–	(300)	300
Employees	HK$4.33	23.09.2021	3,600	–	–	(2,100)	1,500
Total			19,800	–	–	(10,200)	9,600

Note: 25% of the outstanding number of awarded shares shall be vested on 15 April 2024, and the remaining 25% of the outstanding number of awarded shares shall be vested on 15 April 2025.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share-based payments reserve.

During the year ended 31 December 2023, share-based payment expenses amounted to RMB4,978,000 (2022: RMB3,923,000) was recognised in profit or loss under the Share Award Scheme and no shares were vested for both years.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 23 September 2021 for the primary purpose of providing incentives to directors and eligible employees, and effective for a period of ten years. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Share Option Scheme is effective from 23 July 2021 and shall continue in full force and effect for a term of 10 years.

The vesting conditions of the share options granted to directors and employees are linked to individual key performance indicators.

Details of share of options granted to directors and key management outstanding at 31 December 2023 are as follows:

Date of grant	Number of option	Vesting date	Exercisable period	Exercise price
23.09.2021	1,050,000	15.04.2024	15.04.2024–14.04.2031	HK$4.33
23.09.2021	1,050,000	15.04.2025	15.04.2025–22.09.2031	HK$4.33

The following table discloses movements of the Company's share options held by directors and key managements during the year ended 31 December 2023:

Date of grant	Outstanding at 01/01/2023	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2023
23 September 2021	2,100,000	–	–	–	2,100,000

The following table discloses movements of the Company's share options held by directors and key managements during the year ended 31 December 2022:

Date of grant	Outstanding at 01/01/2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2022
23 September 2021	4,800,000	–	–	(2,700,000)	2,100,000

During the year ended 31 December 2023, share-based payment expenses amounted to approximately RMB499,000 (2022: RMB421,000) was recognised under the Share Option Scheme.

33. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2023

On 10 October 2023, the Group acquired total 75% equity interest in Shenzhen Mileyun indirectly and directly 100% equity interest in Shenzhen Jindouzi Guaiguai Technology Partnership Enterprise (Limited Partnership) ("**Shenzhen Jindouzi**") at a total consideration of RMB20,212,000 (the "**Acquisition of Shenzhen Mileyun and Shenzhen Jindouzi**"). Shenzhen Jindouzi is a limited partnership entity and holds 7.725% equity interest in Shenzhen Mileyun. The principal activities of Shenzhen Mileyun and Shenzhen Jindouzi are principally engaged in the provision of pets services and sales of pets and pet products and was acquired with the objective of improving the Group's pets and pet products' business. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	17,500
Contingent consideration arrangement (Note)	2,712
Total	20,212

Note: Based on the relevant agreement, the Group is required to pay an additional amount of RMB3,500,000 in 2025 if Shenzhen Mileyun's revenue plus net profit for the period after deducting non-recurring incomes and expenses from 1 July 2023 to 31 December 2024 exceeds RMB40,000,000. The amount of RMB2,712,000 represents the fair value of this obligation.

Acquisition-related costs amounting to approximately RMB123,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	2,632
Intangible asset	7,700
Inventories	2,161
Trade and other receivables	2,745
Bank balances and cash	15,254
Trade and other payables	(8,406)
Contract liabilities	(1,159)
Deferred tax liabilities	(2,021)
	18,906

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB2,745,000 at the date of acquisition had gross contractual amounts of RMB2,745,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

33. ACQUISITION OF SUBSIDIARIES (continued)

Non-controlling interests

The non-controlling interests (25%) in Shenzhen Mileyun recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shenzhen Mileyun and amounted to approximately RMB4,974,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	20,212
Plus: non-controlling interests (25% in Shenzhen Mileyun)	4,974
Less: recognised amounts of net assets acquired	(18,906)
Goodwill arising on acquisition	6,280

Goodwill arose on the acquisition of Shenzhen Mileyun because the acquisition included sales channels of Shenzhen Mileyun which can improve the Group's pet and pet product's business and reduce the cost of entering the offline pet market. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Shenzhen Mileyun and Shenzhen Jindouzi

	RMB'000
Cash consideration paid	17,500
Less: cash and cash equivalents balances acquired	(15,254)
	2,246

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2023 is loss of RMB1,402,000 attributable to the additional business generated by Shenzhen Mileyun and Shenzhen Jindouzi. Revenue for the year ended 31 December 2023 includes RMB4,334,000 generated from Shenzhen Mileyun and Shenzhen Jindouzi.

Had the acquisition of Shenzhen Mileyun and Shenzhen Jindouzi been completed on 1 January 2023, revenue for the year of the Group would have been RMB1,624,658,000, and profit for the year would have been RMB165,316,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shenzhen Mileyun and Shenzhen Jindouzi been acquired at the beginning of the current year, the directors of the Company calculated depreciation and amortization of property, plant and equipment and intangible assets based on the recognised amounts of property, plant and equipment and intangible assets at the date of the acquisition.

33. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2022

On 29 November 2022, the Group acquired 60.625% equity interest in Shenzhen Zhuazhua. Shenzhen Zhuazhua is an investment holding company. The principal activities of Shenzhen Zhuazhua Group are principally engaged in the provision of pet services and sales of pet products and was acquired with the objective of improving the Group's pet product's business. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	14,000

Acquisition-related costs amounting to RMB190,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Intangible assets	11,684
Inventories	967
Trade and other receivables	365
Bank balances and cash	9,604
Trade and other payables	(3,214)
Deferred tax liabilities	(2,922)
	16,484

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB365,000 at the date of acquisition had gross contractual amounts of RMB365,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

33. ACQUISITION OF SUBSIDIARIES (continued)

Non-controlling interests

The non-controlling interests (39.375%) in Shenzhen Zhuazhua Group recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shenzhen Zhuazhua Group and amounted to RMB6,409,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	14,000
Plus: non-controlling interests (39.375% in Shenzhen Zhuazhua Group)	6,409
Less: recognised amounts of net assets acquired	(16,484)
Goodwill arising on acquisition	3,925

Goodwill arose on the acquisition of Shenzhen Zhuazhua Group because the acquisition included sales channels of Shenzhen Zhuazhua Group which can improve the Group's pet and pet product's business and reduce the cost of entering the offline pet market. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Shenzhen Zhuazhua Group

	RMB'000
Cash consideration paid	14,000
Less: cash and cash equivalents balances acquired	(9,604)
	4,396

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is a loss of RMB466,000 attributable to the additional business generated by Shenzhen Zhuazhua Group. Revenue for the year ended 31 December 2022 includes RMB221,000 generated from Shenzhen Zhuazhua Group.

Had the acquisition of Shenzhen Zhuazhua Group been completed on 1 January 2022, revenue for the year of the Group would have been RMB1,450,164,000 (restated), and profit for the year would have been RMB65,393,000 (restated). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shenzhen Zhuazhua Group been acquired at the beginning of the current year, the directors of the Company calculated amortisation of intangible assets based on the recognised amounts of intangible assets at the date of the acquisition.

34. RETIREMENT BENEFIT PLANS

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits.

No forfeited contribution is available to reduce the contribution payable in future years.

The contributions to the retirement benefits schemes for employees of the Group and directors of the Company during the year are disclosed in Notes 11 and 12, respectively.

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists net debts, which include lease liabilities as disclosed in Note 30, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
		(restated)
Financial assets		
Financial assets at FVTPL	**136,143**	146,031
Financial assets at amortised cost	**3,087,906**	2,769,757
Financial liabilities		
Contingent consideration as liability at FVTPL	**2,712**	–
Financial liabilities at amortised cost	**252,959**	251,679

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's financial instruments include financial assets at FVTPL, trade and other receivables, amounts due from related parties, other financial assets at amortised cost, time deposits, bank balances and cash, trade and other payables, amounts due to related parties and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits (see Note 27 for details), other financial assets at amortised cost (see Note 26 for details) and lease liabilities (see Note 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 27 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group currently does not have an interest rate hedging policy. As management of the Group considered such exposure to cash flow interest rate risk is minimal, accordingly, no sensitivity analysis is presented.

Currency risk

The Group is not exposed to significant foreign exchange risk as it transacts mainly in RMB.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, amounts due from related parties, other financial assets at amortised cost, time deposits and bank balances and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and trade-related balances with related parties arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of each reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables and trade-related balances with related parties arising from contracts with customers (continued)

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and trade-related balances with related parties and credit-impaired individually and/or collectively. Except for credit-impaired trade receivables, trade receivables with significant balances and trade-related balances with related parties, which are assessed for impairment individually, the remaining trade receivables and trade-related balances with related parties are grouped based on shared credit risk characteristics by reference to internal credit ratings and past due exposure for the customers. As at 31 December 2023, trade receivables with significant balances of approximately RMB11,842,000 (2022: RMB16,917,000) were assessed individually. Details of the quantitative disclosures are set out below in this note.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables and trade-related balances with related parties as at 31 December 2023 and 2022.

Other receivables

The Group assessed the loss allowance for other receivables on 12-month ECL basis as the Group has considered that credit risks on these financial assets have not increased significantly since initial recognition. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The Group has considered the consistently low historical default rate in connection with payments and the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In addition, the Controlling Shareholders agreed to provide adequate financial support to the related parties to meet in full their obligations as necessary. For the years ended 31 December 2023 and 2022, management of the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognised.

Other financial assets at amortised cost

The credit risks on other financial assets at amortised cost are limited because the counterparties are professional asset management firm and security brokerage.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other financial assets at amortised cost based on historical settlement records and past experiences incorporating forward-looking information. The Group assessed 12m ECL for other financial assets at amortised cost by reference to information relating to probability of default and loss given default of the respective credit rating grades of comparable companies. Based on the average loss rates, the 12m ECL on other financial assets at amortised cost is considered to be insignificant and thus no loss allowance was recognised.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Time deposits and bank balances

The credit risks on time deposits and bank balances are limited because the counterparties are authorised banks in the PRC with high credit ratings assigned by international credit-rating.

The Group assessed 12m ECL for time deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits and bank balances and cash is considered to be insignificant.

Other than the concentration of credit risk on liquid funds which are placed with several banks, the Group does not have any other significant concentration of credit risk.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ trade-related balances with related parties	Other financial assets
Low risk	The counterparty has either a low risk of default and does not have any past-due amounts or frequently settles after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2023 RMB'000	At 31 December 2022 RMB'000 (restated)
Financial assets at amortised costs					
Trade receivables	24	(Note 1)	Lifetime ECL – not credit impaired (collective assessment)	4,668	5,329
		Low risk	Lifetime ECL – not credit impaired	11,842	16,917
				16,510	22,246
Other receivables and receivables from payment intermediaries	24	(Note 2)	12m ECL	14,724	11,773
Amounts due from related parties – trade-related	25	(Note 1)	Lifetime ECL – not credit impaired	12,361	14,071
Other financial assets at amortised cost	26	(Note 2)	12m ECL	143,902	357,910
Time deposits	27	(Note 2)	12m ECL	2,010,330	1,455,986
Bank balances	27	(Note 2)	12m ECL	890,973	908,714
				3,088,800	2,770,700

Notes:

1. For not credit-impaired trade receivables and trade-related balances with related parties, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on a collective basis, grouped by internal credit rating and past due status of respective receivable. In addition, credit-impaired trade receivables, trade receivables with significant balances and trade-related balances with related parties are assessed for ECL individually.

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis as at 31 December 2023 and 2022 within lifetime ECL (not credit-impaired).

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

1. (continued)

Internal credit rating

	As at 31 December			
	2023		2022	
	Average loss rate %	Trade receivables RMB'000	Average loss rate %	Trade receivables RMB'000
Normal risk	9	4,668	8	5,329

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. The management of the Group is of the opinion that there is no material change in the observed default rates of its customers throughout the reporting period and after considering the forward-looking information, same average loss rate was adopted throughout the reporting period. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2023, the Group reversed of credit loss allowance of approximately RMB49,000 for trade receivables based on collective assessment (2022: recognised credit loss allowance of approximately RMB675,000).

The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (credit-impaired) RMB'000	Lifetime ECL – (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	278	268	546
– impairment losses recognised	–	943	943
– impairment losses reversed	–	(268)	(268)
– write-off	(278)	–	(278)
As at 31 December 2022	–	943	943
– impairment losses recognised	–	894	894
– impairment losses reversed	–	(943)	(943)
As at 31 December 2023	–	894	894

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off and is subject to enforcement activities.

Credit losses allowance for trade related balances with related parties as at 31 December 2023 and 2022 was not material, considering the consistently low historical default rate in connection with payments. In addition, the Controlling Shareholders agreed to provide financial support to the related parties to meet in full their obligation as necessary, the probability of default and loss given default are assessed as low.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

2. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables, other financial assets at amortised cost, time deposits and bank balances and cash by assessment of probability of default. During the years ended 31 December 2023 and 2022, in view of the nature of the balance and historical default rate and forward looking information, the Group considers the provision of impairment allowance for these balances are insignificant.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023							
Trade and other payables	–	183,407	–	–	–	183,407	183,407
Amounts due to related parties	–	69,552	–	–	–	69,552	69,552
Lease liabilities	4.75	3,379	8,881	17,219	673	30,152	28,020
		256,338	8,881	17,219	673	283,111	280, 979
At 31 December 2022							
Trade and other payables	–	185,131	–	–	–	185,131	185,131
Amounts due to related parties	–	66,548	–	–	–	66,548	66,548
Lease liabilities	4.75	2,021	4,809	11,038	–	17,868	16,614
		253,700	4,809	11,038	–	269,547	268,293

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	31 December 2023 RMB'000	31 December 2022 RMB'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial asset at FVTPL	79,587	86,469	Level 3	Market approach by applying market multiples such as the ratio of market capital to EBITDA from comparable companies. The inputs are probability of IPO, redemption and liquidation, the risk-free interest rate and expected volatility.	Expected volatility of 38.68% (31 December 2022: 43.96%), determined by reference to the expected volatility of comparable companies. (Note i)
Financial asset at FVTPL	56,556	59,562	Level 3	Market approach by applying market multiples such as the ratio of market capital to sales from comparable companies. The inputs are probability of IPO, redemption and liquidation, the risk-free interest rate and expected volatility.	Expected volatility of 39.66% (31 December 2022: 43.67%) determined by reference to the expected volatility of comparable companies. (Note ii)
Contingent consideration as liability at FVTPL	2,712	–	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 17%. (Note iii)

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Notes:

(i) If the expected volatility of the comparable companies had been 5% higher/lower while all other variables were held constant, the Group's fair value of financial assets at FVTPL as at 31 December 2023 would have increased/decreased by approximately RMB380,000 (31 December 2022: RMB900).

(ii) If the expected volatility of the comparable companies had been 5% higher/lower while all other variables were held constant, the Group's fair value of financial assets at FVTPL as at 31 December 2023 would have increased/decreased by approximately RMB1,310,000 (31 December 2022: RMB1,495,000).

(iii) A 1% increase in the discount rate holding all other variables constant would decrease the carrying amount of the contingent consideration as liability at FVTPL by RMB37,000.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The fair values of financial assets and financial liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Accrued issue cost	Dividends payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	14,909	1,473	–	16,382
Financing cash flows	(7,929)	(1,473)	(96,133)	(105,535)
Interest expense on lease liabilities	863	–	–	863
Dividends declared	–	–	96,133	96,133
New lease entered	8,771	–	–	8,771
At 31 December 2022	16,614	–	–	16,614
Financing cash flows	(9,629)	–	(84,000)	(93,629)
Interest expense on lease liabilities	1,003	–	–	1,003
Dividends declared	–	–	84,000	84,000
Lease modified	(911)	–	–	(911)
New lease entered	20,943	–	–	20,943
At 31 December 2023	**28,020**	**–**	**–**	**28,020**

38. CAPITAL COMMITMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**103**	1,172

39. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and Note 25 to the consolidated financial statements. Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year.

	Year ended 31 December 2023 RMB'000	2022 RMB'000 (restated)
Sales to related parties (Note)		
– Guangzhou Liby Group Company Limited	98,040	87,311
– Guangdong Liby Washing Products Company Limited	53,447	68,202
– Shanghai Liby Shiye Company Limited	28,978	34,659
– Tianjin Liby Product Sales Company Limited	652	90
– Guangzhou Liby (Panyu) Company Limited	1,948	1,267
– Xinxiang Liby Shiye Company Limited	33	143
– Maanshan Liby Rihua Company Limited	193	383
– Chengdu Liby Shiye Company Limited	4,153	5,192
– Nanjing Liby Rihua Company Limited	1,628	1,797
– Liby Rihua Company Limited	114	20
	189,186	199,064
Rendering testing services to related party (Note)		
– Shanghai New COGI Cosmetic Co., Ltd	1,186	4,204
Purchase from related parties (Note)		
– Xinxiang Liby Shiye Company Limited	35,663	39,497
– Guangzhou Liby (Panyu) Company Limited	37,997	42,602
– Maanshan Liby Rihua Company Limited	36,996	40,905
– Siping Liby Rihua Company Limited	12,558	12,231
– Liby Rihua Company Limited	2,061	4,312
– Sichuan Liby Shiye Company Limited	14,477	12,738
– Guangzhou Zhi Yun COGI bio-technology Company Limited	735	667
	140,487	152,952
Sales support service expense (Note)		
– Guangzhou Liby Group Company Limited	33,200	26,700
Warehousing service expense (Note)		
– Guangzhou Liby Group Company Limited	9,000	9,000
IT service expense (Note)		
– Guangzhou Liby Group Company Limited	2,300	2,300

39. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
		(restated)
Expenses relating to short-term leases (Note)		
– Guangzhou Liby Group Company Limited	**436**	–
– Shanghai New COGI Cosmetic Co., Ltd.	**415**	415
	851	415
Payment of lease liabilities (Note)		
– Guangzhou Liby Group Company Limited	**4,109**	4,828
– Guangzhou Liby (Panyu) Company Limited	**2,025**	2,025
	6,134	6,853
Property management expense (Note)		
– Guangzhou Zhanze Property Management Company Limited	**1,648**	1,786

Note: These entities have been identified as related parties of the Group as they are under the common control by the Controlling Shareholders.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management is set out in Note 12.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2023 and 2022, the Company has direct and indirect interests in the following principal subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiaries	Place and date of establishment/ incorporations and place of operation	Paid-up issued/ registered capital	Equity interest attributable to the Company at 31 December 2023	2022	Principal activities
Directly held:					
Cheerwin Group BVI	BVI 27 March 2018	USD100	100%	100%	Investment holding
Indirectly held:					
Cheerwin Group HK	HK 13 April 2018	HK$100	100%	100%	Investment holding
Cheerwin Global HK	HK 13 April 2018	HK$100	100%	100%	Sales of daily cleaning products
Guangzhou Cheerwin (wholly foreign owned enterprise)	The PRC 19 October 2018	RMB200,000,000	100%	100%	Investment holding
Cheerwin Biotechnology (wholly-owned domestic enterprise)	The PRC 17 December 2010	RMB5,000,000	100%	100%	Sales of insecticide and daily cleaning products
Panyu Cheerwin (wholly-owned domestic enterprise)	The PRC 26 July 2011	RMB30,000,000	100%	100%	Manufacture and sales of insecticide products
Anfu Cheerwin (wholly-owned domestic enterprise)	The PRC 11 July 2006	RMB30,000,000	100%	100%	Manufacture and sales of insecticide products
Guangzhou Tongli (wholly-owned domestic enterprise)	The PRC 3 December 1992	HK$1,400,000	100%	100%	Sales of plastic daily cleaning products
Guangzhou Yuncheng (wholly-owned domestic enterprise)	The PRC 6 February 2018	RMB5,000,000	100%	100%	Sales of daily pet necessity
Leda Automobile (wholly-owned domestic enterprise)	The PRC 5 February 2018	RMB5,000,000	100%	100%	Sales of auto accessories
Shanghai Runzhisu (wholly-owned domestic enterprise)	The PRC 19 November 2018	RMB1,000,000	100%	100%	Sales of personal care products
Guangzhou Yuntuo (wholly-owned domestic enterprise)	The PRC 14 November 2018	RMB1,000,000	100%	100%	Sales of daily cleaning product
Shanghai Cheerwin (wholly-owned domestic enterprise)	The PRC 29 July 2019	RMB5,000,000	100%	100%	Sales of personal care product
Bestwin Household Products Company Limited	Vietnam 24 June 2020	USD510,000	51%	51%	Manufacture and sales of insecticide products
Chao liu ti (Guangzhou) (wholly-owned domestic enterprise)	The PRC 17 September 2021	RMB1,000,000	100%	100%	Marketing service
Guangzhou chao dong chao xi (wholly-owned domestic enterprise)	The PRC 17 September 2021	RMB1,000,000	100%	100%	Sales of personal care product

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place and date of establishment/ incorporations and place of operation	Paid-up issued/ registered capital	Equity interest attributable to the Company at 31 December 2023	2022	Principal activities
Indirectly held: (continued)					
Guangzhou Cheerwin Technology (wholly-owned domestic enterprise) (Note a)	The PRC 23 June 2022	RMB5,000,000	**100%**	100%	Sales of daily cleaning products
Guangzhou Beibeijian (wholly-owned domestic enterprise) (Note a)	The PRC 23 June 2022	RMB1,000,000	**100%**	100%	Sales of daily cleaning products
Guangzhou Chuangxingli (wholly-owned domestic enterprise) (Note a)	The PRC 23 June 2022	RMB1,000,000	**100%**	100%	Sales of daily cleaning products
Shenzhen Zhuazhua (Incorporated domestic enterprise) (Note b)	The PRC 6 April 2015	RMB7,537,670	**60.625%**	60.625%	Sales of pets and pet products
Guangdong Zhongkeyan (wholly-owned domestic enterprise) (Note c)	The PRC 19 December 2017	RMB1,000,000	**100%**	100%	Testing and consultation services
Shenzhen Mileyun (Incorporated domestic enterprise) (Note d)	The PRC 14 August 2019	RMB28,000,000	**75%**	–	Sales of pets and pet products

Notes:

(a) These subsidiaries were established in the PRC on 23 June 2022.

(b) The subsidiary was acquired by the Group on 29 November 2022.

(c) The subsidiary was acquired by the Group under common control on 24 March 2023.

(d) The subsidiary was acquired by the Group on 10 October 2023.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	2,167,669	2,265,193
CURRENT ASSETS		
Other receivables	1	1
Bank balances and cash	39,647	47,376
	39,648	47,377
CURRENT LIABILITIES		
Other payables	1,004	790
Amount due to a subsidiary	54,524	53,942
	55,528	54,732
NET CURRENT LIABILITIES	(15,880)	(7,355)
NET ASSETS	2,151,789	2,257,838
CAPITAL AND RESERVES		
Share capital (Note 31)	2	2
Reserves	2,151,787	2,257,836
TOTAL EQUITY	2,151,789	2,257,838

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves is as follows:

	Share premium	Capital reserves	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	2,465,311	29,716	7,097	(139,604)	2,362,520
Loss and other comprehensive expense for the year	–	–	–	(12,895)	(12,895)
Dividends recognised as distribution (Note 13)	–	–	–	(96,133)	(96,133)
Recognition of share-based payments (Note 32)	–	–	4,344	–	4,344
At 31 December 2022	2,465,311	29,716	11,441	(248,632)	2,257,836
Loss and other comprehensive expense for the year	–	–	–	(27,526)	(27,526)
Dividends recognised as distribution (Note 13)	–	–	–	(84,000)	(84,000)
Recognition of share-based payments (Note 32)	–	–	5,477	–	5,477
At 31 December 2023	**2,465,311**	**29,716**	**16,918**	**(360,158)**	**2,151,787**