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CHEERWIN

Cheerwin Group Limited

朝雲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6601)

CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus issued by Cheerwin Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 26 February 2021 (the “**Prospectus**”) in relation to, among others, the intended use of the proceeds from the initial public offering of the Company’s shares (“**Net Proceeds**”), and (ii) the disclosures on the utilisation of the Net Proceeds in the subsequent annual and interim reports of the Company. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The Board hereby announces that after careful consideration and detailed evaluation of the Group’s operations and business strategies, the Board has resolved to change the use of the unutilised portion of the Net Proceeds in the manner as set out below.

CHANGE IN USE OF PROCEEDS

As at 3 August 2026, the Group has utilised the Net Proceeds totalling approximately RMB2,418.8 million in strict accordance with the intended use disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, of which approximately RMB1,027.8 million has been put into use and the remaining unused Net Proceeds are approximately RMB1,391.0 million (“**Unutilised Net Proceeds**”).

The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	Original planned use of Net Proceeds <i>RMB' million</i> <i>(approximately)</i>	Utilised Net Proceeds up to the date of 3 August 2026 <i>RMB' million</i> <i>(approximately)</i>	Unutilised Net Proceeds up to the date of 3 August 2026 <i>RMB' million</i> <i>(approximately)</i>	Revised allocation of Unutilised Net Proceeds <i>RMB' million</i> <i>(approximately)</i>	Expected timetable for the utilisation of the Unutilised Net Proceeds
Enhancing research and development capabilities					
Research and development of new products, upgrade of existing products and development of new brands and categories	171.8	126.0	45.8	105.8	By end of 2030
Facilitate the construction and upgrade of relevant research and development centers and support their research activities	246.7	1.4	245.3	45.3	By end of 2030
Motive existing research personnel and recruit additional experienced and talented personnel for our research and development team	65.3	0.0	65.3	35.3	By end of 2030
Enhancing sales and distribution network					
Further develop online distribution	241.9	241.9	0.0	131.2	By end of 2028
Further enhance our offline distribution network	120.9	93.0	27.9	27.9	By end of 2028
Establish and optimise our overseas online and offline sales network and develop new markets	120.9	0.0	120.9	20.9	By end of 2028
Marketing activities to enhance branding and products promotion					
Enhance our market penetration in lower-tier cities	120.9	11.0	109.9	19.9	By end of 2028
Invest in online brand marketing activities to enhance brand and product awareness and educate customers	241.9	174.3	67.6	67.6	By end of 2028
Improve the efficiency and flexibility of our supply chain					
Establish overseas supply chain to improve our cost advantage for our overseas operations	36.3	0.0	36.3	36.3	By end of 2030

	Original planned use of Net Proceeds <i>RMB' million</i> (approximately)	Utilised Net Proceeds up to the date of 3 August 2026 <i>RMB' million</i> (approximately)	Unutilised Net Proceeds up to the date of 3 August 2026 <i>RMB' million</i> (approximately)	Revised allocation of Unutilised Net Proceeds <i>RMB' million</i> (approximately)	Expected timetable for the utilisation of the Unutilised Net Proceeds
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	36.3	0.5	35.8	45.8	By end of 2030
Establish a supply chain base in Shanghai which include a warehouse and a logistic center and offices	169.3	0.0	169.3	0.0	Not applicable
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	241.9	16.9	225.0	55.0	By end of 2030
Strategic acquisitions of upstream and downstream businesses to acquire external high quality, complementary technologies, brands and businesses	362.8	362.8	0.0	500.0	By end of 2030
Working capital and other general corporate purposes	241.9	0.0	241.9	0.0	Not applicable
Strategic expansion of pet business	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>300.0</u>	By end of 2030
Total:	<u>2,418.8</u>	<u>1,027.8</u>	<u>1,391.0</u>	<u>1,391.0</u>	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The major changes in the use of the Unutilised Net Proceeds principally involves the below reallocation: –

- 1) reducing approximately RMB241.9 million originally allocated to working capital and other general corporate purposes, as over the years of growth and expansion, the Group has maintained a healthy cash flow generated from its business operation and therefore the management considers releasing the relevant Unutilised Net Proceeds for other areas of use would best optimise the utilisation of its existing resources;

- 2) reducing approximately RMB200.0 million originally allocated to facilitate the construction and upgrade of relevant research and development centers and support research activities, as through the effort of the Group's optimisation of existing R&D facility and resources integration in recent years, the management noted that the actual funding requirement in such regard was lower than originally expected;
- 3) reducing approximately RMB170.0 million originally allocated to 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, as the continuous maintenance of the Group's information technology system and infrastructure has demonstrated its sufficiency in meeting the needs of our daily business operation, leading to the investment in enhancement and development in such area lower than originally expected. The management would like to emphasize that the reduction is an adjustment as to the pace of implementation instead of a strategic contraction. The Group will, based on actual needs and technological advancements, increase digital investment in subsequent stages with its own funds to ensure improvement and enhancement of our digital capabilities;
- 4) reducing approximately RMB169.3 million originally allocated to establish a supply chain base in Shanghai; initially at the time of the initial public offering of the Company, the management anticipated a rapid business expansion in eastern China and thus leading to its assessment for the construction of the Shanghai supply chain base. Following the completion of the listing, the Group has significantly enhanced the coverage of its supply chain network through a series of strategic acquisition. Coupled with improvement in logistics distribution efficiency through existing supplier network integration as well as consolidation of resources through warehousing partnerships, the Group has a full coverage of supply chain needs in eastern China, rendering the necessity and cost-effectiveness of constructing the supply chain base in Shanghai less advantageous;
- 5) reducing approximately RMB100.0 million originally allocated to establish and optimise our overseas online and offline sales network and develop new markets; currently the Group has conducted its overseas business primarily through overseas distributors and has maintained a considerable sales level; at the same time, the Group has undertaken preparatory work for overseas business expansion, including establishing operating entities abroad and applying for permits and licenses in relevant jurisdictions. However, further to the Group's periodic review of its overseas business development strategies with due consideration of prevailing market conditions, and taken into account the complexities of overseas expansion including entry barriers and regulatory approval requirements, the management is of the view that the Group shall strategically focus in specific regions of potentials so as to maximize investment returns. A portion of the initial funds would be maintained for brand building and channel development in subsequent overseas markets to ensure the continued progress of the Group's overseas business expansion, and the management will on regular basis assess the investment needs in such regard and apply its own fund for development if and when appropriate;

- 6) approximately RMB500.0 million of the Unutilised Net Proceeds would be allocated to strategic acquisitions of upstream and downstream businesses to acquire external high quality, complementary technologies, brands and businesses, as the originally allocated Net Proceeds in this segment have been utilised in full as planned and the Group may use the reallocated funds to consider potential mergers and acquisitions in upstream and downstream sectors if suitable targets are identified;
- 7) approximately RMB300.0 million of the Unutilised Net Proceeds would be allocated to the strategic expansion of pet business; the Group's pet business has maintained a rapid growth and development potentials in recent years – with the expansion of our pet business from initially provision of pet supplies, food and health care products to offline physical pet stores and promotion of our own branded pet products, it has consistently demonstrated positive operational results, making the pet business one of the key areas of the Group's strategic investment. The management is of the view that with further resources input into the pet business, including consolidating brand building, store expansion, supply chain enhancement and R&D in the pet business, the pet business would grow further and eventually benefiting the Group's overall long-term development; and
- 8) approximately RMB131.2 million of the Unutilised Net Proceeds would be allocated to further develop online distribution in order to support the rapid development of our online business as our online channels has continuous to expand and the costs for traffic acquisition and operations have increased rapidly.

In addition, the Group has adopted a more prudent approach to implementing its investment and development plans. In light of the prevailing global economic conditions and market uncertainties, the management considers it appropriate to extend the expected timeline for utilisation of the Unutilised Net Proceeds to by end of 2028 or 2030, as the case may be.

The Directors consider that the overall business development direction of the Group is still in line with the disclosures in the Prospectus in spite of the change of use of the Unutilised Net Proceeds as stated above. The said adjustment was a prudent decision made based on the current changes in the market environment and the actual development of the Company's business. The use of proceeds after such adjustment is expected to be further in line with the Company's latest development strategy and business priorities. As at the date of this announcement, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider that the above change (including the use of Unutilised Net Proceeds and the extension of the expected timeline for utilisation of such) allows the Group to deploy its financial resources more effectively, and thus is reasonable and in the interest of the Company and the shareholders of the Company as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Company will provide updates to its shareholders on the utilisation of the Unutilised Net Proceeds through the disclosures in its annual reports and interim reports. Further announcement(s) will be made in a timely manner in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other applicable laws as and when appropriate. The Board will continue to monitor the plans for utilisation of the Unutilised Net Proceeds and may revise such plans as necessary to respond to changing market conditions and optimise the Group's business performance.

By order of the Board
Cheerwin Group Limited
Chen Danxia

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 3 August 2026

As at the date of this announcement, the Board comprises Ms. Chen Danxia, Ms. Wang Dong, Mr. Zhong Xuyi and Mr. Lv Yongji as executive Directors; Mr. Chen Zexing as non-executive Director; and Dr. Yu Rong, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan as independent non-executive Directors.