

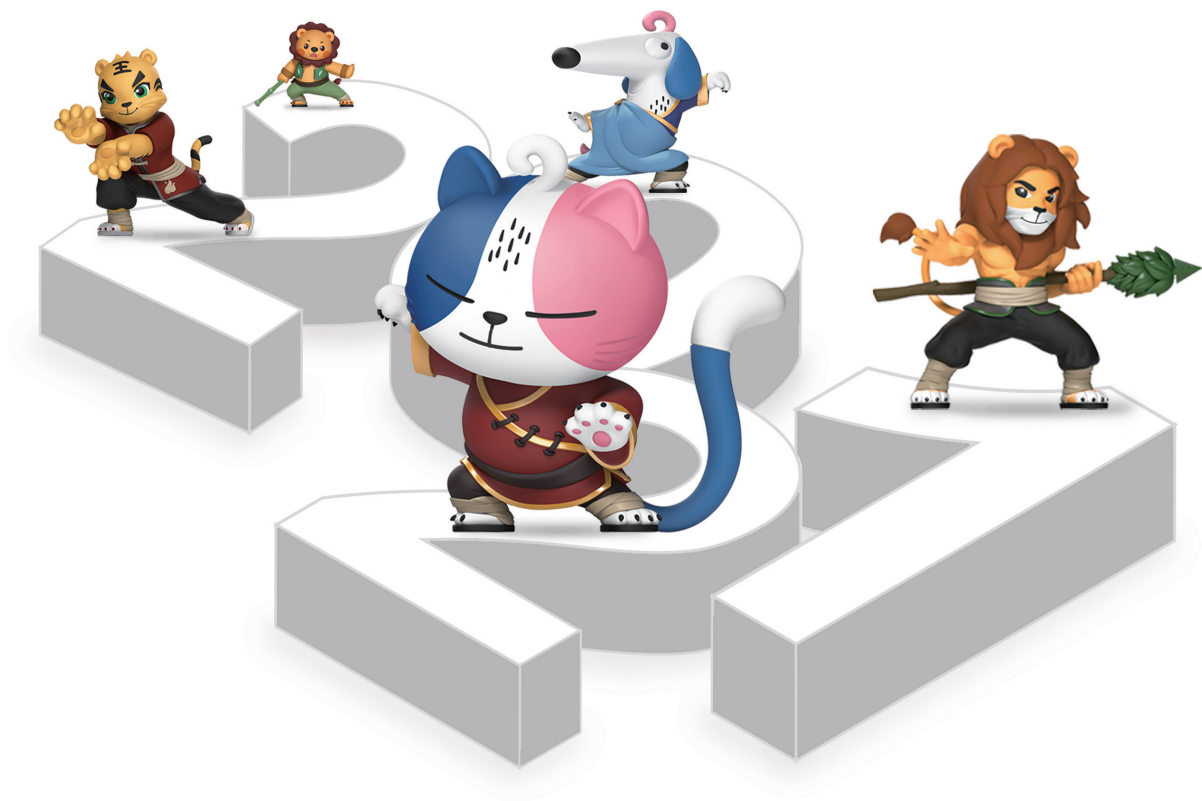
CHEERWIN

朝雲集團有限公司

Cheerwin Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6601



2021 INTERIM REPORT





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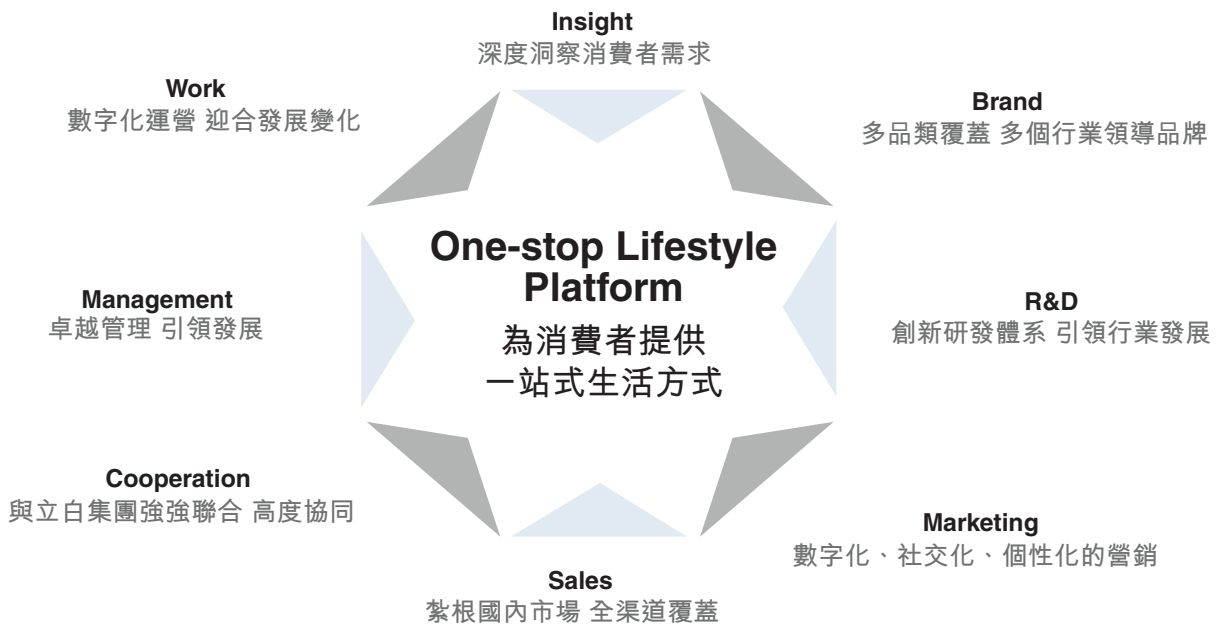
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CORPORATE INTRODUCTION

Cheerwin Group Limited (the “Company”) and its subsidiaries (together, the “Group” or “we” or “our”) are a leading one-stop multi-category household care, pet care and personal care platform in China, developing and manufacturing a variety of household care, pet care and personal care products. We have quickly established leading positions in various sub-categories of personal care and pet care categories.

We are committed to providing consumers with a one-stop lifestyle offering through our focus on the eight pillars to underpin our organisational, 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 care and personal care product categories, among which our pet care product category is developing rapidly. We provide consumers with one-stop comprehensive household care, pet care and personal care product offerings, mainly under eight core brands, namely, Vewin (威王), Superb (超威), Babeking (貝貝健), Naughty Buddy (倔強的尾巴), Naughty Mouth (倔強嘴巴), Cyrin (西蘭), Rikiso (潤之素) and Dux (德是), each targeting different aspects of household care demands and specific consumer segments.

We believe that with our multi-brand and multi-category strategy, popular household care, pet care and personal care brands, attractive product offerings, together with our omni-channel distribution network have laid a solid foundation for our leading market position and we are best positioned to seize the opportunities of the expected strong growth in the consumer goods industry in the future. We are committed to continuing to upgrade our products and making life easier to consumers by providing them with safer and more convenient products that are available anywhere they want.



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. De-Chao Michael Yu
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. Chan Wan Tsun Adrian Alan (*Chairman*)
Dr. De-Chao Michael Yu
Mr. Guo Sheng
Mr. Chen Zexing

REMUNERATION COMMITTEE

Mr. Guo Sheng (*Chairman*)
Dr. De-Chao Michael Yu
Ms. Chen Danxia

NOMINATION COMMITTEE

Ms. Chen Danxia (*Chairman*)
Dr. De-Chao Michael Yu
Mr. Guo Sheng

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

COMPLIANCE ADVISOR

FUTEC Financial Limited
(*formerly as HeungKong Capital Limited*)
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon, 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
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China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue	1,271,905	1,211,672
Gross profit	557,988	509,306
Profit before tax	152,221	240,499
Profit for the period	119,330	192,365
Adjusted profit for the period [#]	129,477	215,851
Earnings per share		
–Basic (cents)	9.95	18.45

[#] Adjusted for charity donations and listing expenses.

ASSETS, LIABILITIES AND EQUITY

	As at	As at
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets	304,457	210,157
Current assets	3,020,453	1,398,268
Total assets	3,324,910	1,608,425
Equity and liabilities		
Equity attributable to owners of the Company	2,772,636	247,681
Non-controlling interests	2,132	2,853
Total equity	2,774,768	250,534
Non-current liability	11,672	5,096
Current liabilities	538,470	1,352,795
Total liabilities	550,142	1,357,891
Total equity and liabilities	3,324,910	1,608,425



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

In the first half of 2021, a variety of short-term factors have brought huge pressure to the household care industry. With the implementation of our omni-channel development strategy of multi-brand, multi-category and various business deployments in advance, we effectively responded to the challenges during this period. In the meantime, due to the sudden outbreak of the COVID-19 pandemic in Guangzhou in May 2021, our Company suspended on-site work for 25 days according to the polices of the government authorities. Despite such unexpected adjustment, our forward-looking strategies and risk control measures have safeguarded a variety of our growth drivers for the long-term development of our Company.

With the effective implementation of our multi-brand and multi-category strategy, we achieved speedy development of pet care products and steadily improved the household care products growth.

- For the pet care products category, revenue increased by 350.5% from the six months ended 30 June 2020 to the six months ended 30 June 2021. Our Company has successfully launched the deodorisation and sterilisation products, cat litter products, and a pet food product line with a higher gross profit margin and will continue to develop the pet food product line in the second half of the year;
- For the household care products (including household repellents and insecticides, household cleaning and air care products), revenue increased steadily by 4.4% for the six months ended 30 June 2021 as compared with that for the six months ended 30 June 2020:
 - ✧ Revenue from our household repellent and insecticide products, being our leading product category, increased by 11.4% from the six months ended 30 June 2020 to the same period in 2021 due to the penetration of omni-channels sales of such products;
 - ✧ Revenue from our household cleaning products after excluding the sterilisation and disinfectant products increased by 10.0% from the six months ended 30 June 2020 to the six months ended 30 June 2021. However, the overall revenue from household cleaning products decreased by 16.8% during the same periods, primarily because (i) during the six months ended 30 June 2020, there was a surge in the demand for household cleaning products due to the COVID-19 outbreak; and (ii) for the six months ended 30 June 2021, competitors in the market sought to increase their market shares by adopting low price strategy, while our Company did not participate in the price competition taking into consideration that such low price competition is not in line with our long-term interest;
 - ✧ Revenue from our air care products also increased by 0.6% from the six months ended 30 June 2020 to the six months ended 30 June 2021 due to the upgrade of such products; and
- Revenue from our personal care products (excluding hand sanitisers) increased by 18.2% from the six months ended 30 June 2020 to the six months ended 30 June 2021. However, due to the abnormal demand for hand sanitiser products during the COVID-19 pandemic in the first half of 2020 and our Company's choice of not participating in the short-term price war in the market, the overall revenue from our personal care products decreased by 4.6% over the same periods.

With the effective implementation of our multi-channel development strategy, we achieved rapid development of the online channels and steadily enhanced the offline distributor channels growth.

- During the six months ended 30 June 2021, revenue from online channels increased significantly by 47.6% from the six months ended 30 June 2020, primarily due to (i) the expansion and development of our self-operated online stores, the revenue from which increased by 51.4% over the same periods; and (ii) our advanced deployment in the new sales channel of community e-commerce platforms, which contributed to an increase in revenue of RMB20.7 million over the same periods;



MANAGEMENT DISCUSSION AND ANALYSIS

- Revenue from the corporate and institutional customer channel grew significantly with a surge of 47.7% in revenue from the six months ended 30 June 2020 to the six months ended 30 June 2021;
- Revenue from the overseas sale channel grew rapidly with a period-to-period increase of 171.5% from the six months ended 30 June 2020 to the six months ended 30 June 2021;
- Revenue from the traditional offline distributor channel increased by 0.6% from the six months ended 30 June 2020 to the six months ended 30 June 2021; although this channel was challenged by other newly developed channels, we successfully expanded the sales and distribution network supported by our sufficient cash flows and sank into lower-tier markets; and
- Revenue from our traditional retail channel (Liby channel) decreased by 11.9% from the six months ended 30 June 2020 to the six months ended 30 June 2021. In response to the challenges of the traditional retail channels, our Company timely adjusted strategies and selected not to participate in the short-term price war in the market. We will strive to take effective measures to face challenges of the traditional retail channels based on our sustainable development strategy.

Entering the second half of 2021, we will continue to implement the multi-brand and multi-category strategies, optimise our product portfolio and product mix, develop our omni-channel sales and distributions network, consolidate and strengthen our core business, deepen our presence in the pet care and personal care industries so as to achieve sustainable development of our Group.

To reinforce our position as a leader in China's household care industry and to facilitate the rapid development of our pet care business, the Group is committed to implementing the following growth strategies:

- continue to build a talent incubation system and implement our multi-brand, multi-category and omni-channel strategies; continue to build a talent development system and an empowering organisation that attracts external talents and to implement employee incentive plans in phases binding with the Company's business targets;
- with the upgrade of the existing leading categories and products and adoption of a multi-brand strategy within the same category, we cater to the needs of different consumer groups in a targeted manner. We will also continue to expand product categories and achieve sustainable growth, to optimise our product portfolio and category structure based on the latest market trends, to expand our pet care segment by launching new products and also to expand our personal care product portfolio. In addition, we also insist on upgrading product technology, deploying overseas R&D centers, leveraging the advantage of local research talents, researching and converting consumer demands to customise products. The Group will continue to implement environmental, social and governance and sustainable development strategies, highly customised strategy and to expand product offering so as to build a one-stop multi-category platform;
- to further strengthen the Group's omni-channel strategy with the consolidation of the leading position of its offline channels and focus on online channels and other new channels, such as consumer community and proprietary platforms; to implement a customised marketing strategy by strengthening the establishment of image stores, building network of over one million distribution stores, conducting community marketing and promoting online marketing;
- to improve supply chain efficiency and flexibility and deploy overseas supply chains and to ensure the implementation of the customised multi-brand, multi-category and omni-channel strategies; and
- to improve organisational and operational efficiency through digitalisation by digitalising consumer management and channel management, and promoting Internet middle-office strategy.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group derived its revenue primarily from the sales of (i) household care products; (ii) personal care products; (iii) pet care 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 and value-added tax.

Our revenue increased by 5.0% from RMB1,211.7 million for the six months ended 30 June 2020 to RMB1,271.9 million for the six months ended 30 June 2021. The increase in our revenue was primarily due to (i) an increase of RMB82.9 million in the revenue generated from sales through our online channels as we continue to expand and develop our self-operated online stores and developed a new sales channel, i.e. the community e-commerce platforms; (ii) an increase of RMB20.3 million in the revenue generated from the sales of pet care products due to our successful launch of the deodorisation and sterilisation products, cat litter products, and a pet food product line with a higher gross profit margin; and (iii) an increase in the revenue generated from the sales of household insecticides and repellents products due to our continuing efforts in developing and optimising the omni-channels sales of such products.

Revenue by product categories

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Household Care				
Household Insecticides and Repellents	918,932	72.2	825,226	68.1
Household Cleaning	218,371	17.2	262,423	21.7
Air Care	34,414	2.7	34,203	2.8
Sub-total	1,171,717	92.1	1,121,852	92.6
Personal Care	71,615	5.6	75,068	6.2
Pet care	26,150	2.1	5,805	0.5
Others ⁽¹⁾	2,423	0.2	8,947	0.7
Total	1,271,905	100.0	1,211,672	100.0

Note:

(1) Others included household supplies and appliances and other products and none of them accounted for a material portion individually.

Our revenue from household insecticides and repellents products increased by 11.4% from RMB825.2 million for the six months ended 30 June 2020 to RMB918.9 million for the six months ended 31 June 2021, primarily due to our continuing efforts in developing and optimising the omni-channels sales of such products.

Our revenue from household cleaning products decreased by 16.8% from RMB262.4 million for the six months ended 30 June 2020 to RMB218.4 million for the six months ended 30 June 2021, primarily because (i) during the six months ended 30 June 2020, there was a surge in the demand for household cleaning products as a result of the increasing customer awareness on personal hygiene which increased the demand for sanitisers, disinfectant and antibacterial products during the COVID-19 outbreak; and (ii) for the six months ended 30 June 2021, competitors in the market of household cleaning products sought to increase their market shares by adopting low price strategy, while our Company did not participate in the price competition taking into consideration that such low price competition is not in line with our long-term interest.



MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue from air care products increased by 0.6% from RMB34.2 million for the six months ended 30 June 2020 to RMB34.4 million for the six months ended 30 June 2021, which was primarily due to the upgrade of air care products during the six months ended 30 June 2021.

Our revenue from personal care products decreased by 4.6% from RMB75.1 million for the six months ended 30 June 2020 to RMB71.6 million for the six months ended 30 June 2021, primarily because (i) during the six months ended 30 June 2020, there was a surge in the demand for personal care products such as hand sanitisers as a result of the increasing customer awareness on personal hygiene which increased the demand for sanitisers, disinfectant and antibacterial products during the COVID-19 outbreak; and (ii) for the six months ended 30 June 2021, competitors in the market of personal care products sought to increase their market shares by adopting low price strategy, while our Company did not participate in the price competition taking into consideration that such low price competition is not in line with our long-term interest.

Our revenue from pet care products increased significantly by 350.5% from RMB5.8 million for the six months ended 30 June 2020 to RMB26.2 million for the six months ended 30 June 2021, primarily due to our successful launch of the deodorisation and sterilisation products, cat litter products, and a pet food product line with a higher gross profit margin.

Revenue by sales channel

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Offline Distributors	795,002	62.5	789,921	65.2
Online Channels	256,947	20.2	174,028	14.4
– Online Distributors	81,083	6.4	71,559	5.9
– Self-operated Online Stores	155,163	12.2	102,469	8.5
– Community e-commerce platforms	20,701	1.6	–	–
Corporate and Institutional Customers	3,338	0.3	2,259	0.2
Overseas Distributors	601	0.0	221	0.0
Retail Channel (Liby Channel) ⁽¹⁾	216,017	17.0	245,243	20.2
Total	1,271,905	100.0	1,211,672	100.0

Note:

- (1) Primarily included sales to key accounts and certain overseas distributors and corporate and institutional customers through Guangzhou Liby Group Company Limited and its subsidiaries (the "Liby Group").

As of 30 June 2021, our sales and distribution network primarily consisted of (i) an offline network of more than 1,150 distributors with approximately 640,000 points of sales across China; (ii) 49 key account clients, including operators of national and regional hypermarkets, supermarkets, department stores and convenience stores through Liby Group, covering approximately 11,000 points of sales; and (iii) online channels, including sales to consumers through our 18 self-operated online stores on major e-commerce platforms, such as Tmall, sales to a network of online third party distributors and sales to customers through community e-commerce platforms, such as Xingsheng Youxuan (興盛優選).



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from offline distributors increased by 0.6% from RMB789.9 million for the six months ended 30 June 2020 to RMB795.0 million for the six months ended 30 June 2021, primarily due to the increase in the sales of our household insecticides and repellents products despite the decrease in sales of such products in the market.

Revenue from online channels increased by 47.6% from RMB174.0 million for the six months ended 30 June 2020 to RMB256.9 million for the six months ended 30 June 2021, primarily due to (i) our continuing efforts in expanding and developing self-operated online stores, the revenue from which increased by 51.4% from RMB102.5 million to RMB155.2 million over the same periods; and (ii) an increase of RMB20.7 million in the revenue generated from our newly developed sales channel, i.e. the community e-commerce platforms.

Revenue from corporate and institutional customers increased from RMB2.3 million for the six months ended 30 June 2020 to RMB3.3 million for the six months ended 30 June 2021, primarily because we actively explored new business opportunities with corporate and institutional customers. Revenue from overseas distributors increased from RMB0.2 million for the six months ended 30 June 2020 to RMB0.6 million for the six months ended 30 June 2021, primarily because during the six months ended 30 June 2020, overseas market demands reduced as the overall overseas business activities were limited due to the COVID-19 pandemic, while during the six months ended 30 June 2021, we actively explored new business opportunities with overseas customers and strived to further develop our overseas channel.

Revenue from the retail channel (Liby channel) decreased by 11.9% from RMB245.2 million for the six months ended 30 June 2020 to RMB216.0 million for the six months ended 30 June 2021, primarily because (i) there was an unusual increase in the demand for sanitisers and disinfectant products in 2020 due to the COVID-19 outbreak; and (ii) during the six months ended 30 June 2021, there was a price war in certain household cleaning products market, while our Company selected not to participate in such short-term market competition.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 9.6% from RMB509.3 million for the six months ended 30 June 2020 to RMB558.0 million for the six months ended 30 June 2021. Our overall gross profit margin remained relatively stable at 42.0% and 43.9% for the six months ended 30 June 2020 and 2021, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin by product categories

	Six months ended 30 June			
	2021		2020	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Household Care				
Household Insecticides and Repellents	375,143	40.8	319,909	38.8
Household Cleaning	117,877	54.0	139,962	53.3
Air Care	18,372	53.4	19,830	58.0
Sub-total	511,392	43.6	479,701	42.8
Personal Care	29,960	41.8	25,259	33.6
Pet care	16,383	62.7	3,203	55.2
Others ⁽¹⁾	253	10.4	1,143	12.8
Total	557,988	43.9	509,306	42.0

Note:

(1) Others included household supplies and appliances and other products and none of them accounted for a material portion individually.

With respect to product categories, primarily due to our efforts in the optimisation of product category structure and cost in 2021, gross profit margin of our household insecticides and repellents products increased from 38.8% for the six months ended 30 June 2020 to 40.8% for the six months ended 30 June 2021. Gross profit margin for the household cleaning products increased from 53.3% for the six months ended 30 June 2020 to 54.0% for the six months ended 30 June 2021 primarily because of our continuous efforts in optimising product category structure. Gross profit margin for the air care products decreased from 58.0% for the six months ended 30 June 2020 to 53.4% for the six months ended 30 June 2021, primarily due to the ever increasing cost of raw materials from the COVID-19 pandemic in 2020 to June 2021. Gross profit of our personal care products increased by 18.6% from the six months ended 30 June 2020 to the six months ended 30 June 2021 mainly due to our efforts in the optimisation of product category structure and cost. Gross profit of pet care products increased significantly by 411.5% from the six months ended 30 June 2020 to the six months ended 30 June 2021 and gross profit margin of pet care products increased from 55.2% to 62.7% during the same periods primarily due to the increase in the revenue by 350.5% generated from sales of such products over the same periods due to the enrichment of products categories and the launch of a pet food product line.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin by sales channels

	Six months ended 30 June			
	2021		2020	
	Gross profit RMB'000	Gross Profit Margin %	Gross profit RMB'000	Gross Profit Margin %
Offline Distributors	336,127	42.3	321,516	40.7
Online Channels	129,554	50.4	87,245	50.1
– Online Distributors	36,682	45.2	34,140	47.7
– Self-operated Online Stores	86,266	55.6	53,105	51.8
– Community e-commerce platforms	6,606	31.9	–	–
Corporate and Institutional Customers	2,039	61.1	1,362	60.3
Overseas Distributors	295	49.0	110	49.8
Retail Channel (Liby Channel) ⁽¹⁾	89,973	41.7	99,073	40.4
Total	557,988	43.9	509,306	42.0

Note:

- (1) Primarily included sales to key accounts and certain overseas distributors and corporate and institutional customers through Liby Group.

With respect to sales channels, gross profit of offline distributors increased by RMB14.6 million from the six months ended 30 June 2020 to the six months ended 30 June 2021 primarily due to our efforts in the optimisation of product category structure and cost in 2021. Gross profit and gross profit margin of online channels increased from the six months ended 30 June 2020 to the six months ended 30 June 2021 mainly due to the increase in revenue from this channel and the optimisation of product category structure and cost. Over the same period, gross profit of the retail channel (Liby channel) decreased primarily due to the decrease in revenue from this sales channel. Gross profit margin of the retail channel (Liby channel) improved from 40.4% for the six months ended 30 June 2020 to 41.7% for the six months ended 30 June 2021 largely attributable to our efforts in the optimisation of product category structure and cost.

Other Income

Our other income increased by 10.2% from RMB12.7 million for the six months ended 30 June 2020 to RMB14.0 million for the six months ended 30 June 2021 primarily due to the increase in bank interests over the same periods. Our other income as a percentage of our total revenue increased slightly from 1.0% for the six months ended 30 June 2020 to 1.1% for the six months ended 30 June 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Our selling and distribution expenses increased by 46.2% from RMB219.5 million for the six months ended 30 June 2020 to RMB321.0 million for the six months ended 30 June 2021 which is in line with our business expansion and reflects our increasing investments in offline and online sales channels.

Administrative Expenses

Our administrative expenses increased by 113.1% from RMB37.5 million for the six months ended 30 June 2020 to RMB80.0 million for the six months ended 30 June 2021, partially attributable to the increase in the number of employees and staff cost over the same periods.

Other Gains and Losses

We recorded other losses of RMB6.6 million for the six months ended 30 June 2021, compared to other losses of RMB18.5 million for the same period in 2020, primarily due to the charity donation we made in 2020.

Finance Costs

Our finance costs increased from RMB1.0 million for the six months ended 30 June 2020 to RMB1.2 million for the six months ended 30 June 2021 primarily due to the increase in right-of-use assets and interest expenses related to lease liabilities.

Profit before Tax

As a result of the foregoing, our profit before income tax decreased by 36.7% from RMB240.5 million for the six months ended 30 June 2020 to RMB152.2 million for the six months ended 30 June 2021.

Income Tax Expense

Our income tax expense decreased by 31.7% from RMB48.1 million for the six months ended 30 June 2020 to RMB32.9 million for the six months ended 30 June 2021 in line with the decrease of our profit before tax. Our effective tax rate remained relatively stable at 20.0% and 21.6%, respectively, for the six months ended 30 June 2020 and 2021, which are lower than the PRC statutory income tax rate of 25% primarily because Anfu Cheerwin Rihua Company Limited* (安福超威日化有限公司), one of our subsidiaries, was recognised as a high-tech enterprise and entitled to a preferential tax rate of 15%.

Profit for the Period

As a result of the foregoing, our profit decreased by 38.0% from RMB192.4 million for the six months ended 30 June 2020 to RMB119.3 million for the same period in 2021. Our net profit margin decreased from 15.9% for the six months ended 30 June 2020 to 9.4% for the six months ended 30 June 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Non-IFRS Measures: Adjusted Net Profit

Adjusted net profit, as we present, represents profit and total comprehensive income for the period before charity donations and listing expenses. Adjusted net profit is not a standard measure under IFRSs. We believe that adjusted net profit helps identify underlying trends in our business that could otherwise be distorted by the effect of the expenses that we include in income from operations and net profit through eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, such as certain impacts of our charity donations and listing expenses. We believe that adjusted net profit provides useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

While adjusted net profit provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit has certain limitations because it does not reflect all items of income and expense that affect our operations. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our results.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to adjusted net profit is profit for the period. The following table reconciles profit for the periods under IFRSs to adjusted net profit for the periods indicated:

	For the six months ended 30 June	
	2021	2020
	RMB'000	
Profit for the period	119,330	192,365
Adjustments for:		
Charity donations	117	18,454
Listing expenses	10,030	5,032
Adjusted net profit	129,477	215,851

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



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Cash Flows

Net operating cash outflow for the six months ended 30 June 2021 was RMB318.5 million, as compared to net operating cash outflow of RMB87.4 million for the six months ended 30 June 2020, resulting from our profit before tax of RMB152.2 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid. Our movements in working capital primarily reflected (i) a decrease in contract liabilities of RMB428.5 million as a result of the seasonal concentration of customer prepayments; (ii) an increase of RMB14.8 million in trade and other payables; and (iii) an increase in amounts due from related parties of RMB108.5 million which was primarily because there was a sales peak during the second quarter of the year and we typically settled the amounts in the third quarter which is within our normal credit terms.

Capital Expenditures

Our capital expenditures increased from RMB12.1 million for the six months ended 30 June 2020 to RMB31.9 million for the six months ended 30 June 2021. Our capital expenditures were used primarily for purchase of items 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 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 of 30 June 2021, we had RMB1,677.0 million in cash and cash equivalents, most of which were denominated in Hong Kong dollars and RMB. Our cash and cash equivalents primarily consist of cash on hand and bank balances.

Gearing Ratio

The gearing ratio decreased from 122.5% as of 31 December 2020 to 0.6% as of 30 June 2021, primarily due to the repayment of bank borrowings of RMB300.0 million during the six months ended 30 June 2021.

Significant Investments Held

As at 30 June 2021, the Group held time deposits of RMB910.0 million which were denominated in RMB and carried fixed-rates ranging from 2.25% to 3.47% per annum. Save as disclosed above, the Group had no significant investments with a value of 5% or above of the Group’s total asset as at 30 June 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Funding and Treasury Policy

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

Material Acquisitions and Future Plans for Major Investment

During the six months ended 30 June 2021, the Group did not conduct any material acquisitions or disposals. In addition, save for the expansion plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 26 February 2021 (the “**Prospectus**”), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Exposure to Fluctuations in Exchange Rates

The Group operates mainly in China with most of its transactions settled in RMB. However, the Group is exposed to foreign exchange risk arising mainly from bank deposits denominated in Hong Kong dollars. The Group will consider to use derivative financial instruments, including foreign exchange option contracts and interest rate option contracts, to mitigate foreign currency risks.

Pledge of Assets

The Group did not have any pledged assets as at 30 June 2021 and 31 December 2020.

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

Use of Net Proceeds from Global Offering

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 March 2021 (the “**Listing Date**”). The Company received net proceeds (after deduction of the underwriting commissions and related costs and expenses) from the Global Offering of approximately RMB2,418.8 million (equivalent to approximately HK\$2,883.8 million). The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Actual net amount utilised for the six months ended 30 June 2021 (RMB million)	Actual net amount utilised up to 30 June 2021 (RMB million)	Unutilised net amount as at 30 June 2021 (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	–	–	171.8	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	Expected to be fully utilised by the end of 2026
Motivate existing research personnel and recruit additional experienced and talented personnel for our research and development team	2.7%	65.3	–	–	65.3	Expected to be fully utilised by the end of 2026
Further develop online distribution channels	10.0%	241.9	15.3	15.3	226.6	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	3.4	3.4	117.5	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	Expected to be fully utilised by the end of 2026
Enhance our market penetration in lower-tier cities	5.0%	120.9	–	–	120.9	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	16.3	16.3	225.6	Expected to be fully utilised by the end of 2026
Establish overseas supply chain to improve our cost advantage for our overseas operations	1.5%	36.3	–	–	36.3	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	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	Expected to be fully utilised by the end of 2026



MANAGEMENT DISCUSSION AND ANALYSIS

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Actual net amount utilised for the six months ended 30 June 2021 (RMB million)	Actual net amount utilised up to 30 June 2021 (RMB million)	Unutilised net amount as at 30 June 2021 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Deepen our digitalisation strategy, enhance information technology infrastructure, and further develop our technology and data-driven middle-office for our supply chain management, consumer community and proprietary platform operation and distribution channel management to improve operating efficiency	10.0%	241.9	-	-	241.9	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	-	-	362.8	Expected to be fully utilised by the end of 2026
Working capital and other general corporate purposes	10.0%	241.9	-	-	241.9	Expected to be fully utilised by the end of 2026
Total	100.0%	2,418.8	35.0	35.0	2,383.8	

As at 30 June 2021, the remaining proceeds of approximately RMB2,383.8 million (equivalent to approximately HK\$2,864.8 million) will continue to be used in accordance with the purposes as set out in the Prospectus and follow the expected implementation timetable as disclosed in the Prospectus. Most of the unutilised net proceeds were placed in licensed banks in Hong Kong as at 30 June 2021.

Human Resources

As at 30 June 2021, the number of employees of the Group was 855 as compared to 784 as at 30 June 2020. The total cost of staff, including basic salary and wages, social insurance and bonus, for the six months ended 30 June 2021 was RMB92.3 million as compared to RMB66.4 million for the same period in 2020. The increase was mainly attributable to (i) the increase in the number of employees; and (ii) the expansion and development of our business.

Interim Dividend

The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Event after the Period

Adoption of Share Option Scheme

On 23 July 2021, an extraordinary general meeting of the Company was held to approve the adoption of a share option scheme (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to attract, retain and motivate talented employees (including directors and 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 options may be granted to any director or employee who the Director(s) consider, in their sole discretion, have contributed or will contribute to the Group. The exercise price shall be at a price determined by the Directors at their absolute discretion 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 Option Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. The exercisable period of an option shall not exceed 10 years from the date of grant.

Details are set out in the announcements made by the Company on 3 June 2021 and 23 July 2021 and the circular of the Company dated 8 July 2021.



OTHER INFORMATION

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

As at 30 June 2021, 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 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 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

As at 30 June 2021, 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 shareholder	Nature of interest	Number of Shares	Approximate percentage of interest ⁽⁵⁾
Ms. Ma Huizhen ("Ms. Ma") ⁽²⁾	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Ms. Li Ruohong ("Ms. Li") ⁽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 and Mr. KC Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the shares of the Company held by each other.
- (3) Ms. Li and Mr. KX Chen are in a spousal relationship. By virtue of the SFO, they are deemed to be interested in all the shares of the Company held by each other.
- (4) The entire issued share capital of Cheerwin Global Limited is beneficially owned by Ms. Ma, Ms. Li, Mr. KC Chen and Mr. KX Chen who are deemed to be interested in the shares of the Company held by Cheerwin Global Limited pursuant to SFO.
- (5) As at 30 June 2021, the Company had 1,333,333,500 ordinary shares in issue.



OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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.

RESTRICTED SHARE AWARD SCHEME

On 3 June 2021, the restricted share award scheme of the Company (the “**Restricted Share Award Scheme**”) was adopted by the Board. The purpose and objective of the Restricted Share Award Scheme are (i) to realise the binding of the management team with the shareholders of the Company (the “**Shareholders**”) and the Company’s interests in the long run; (ii) to incentivise the management team to achieve the Company’s performance goals and to support 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.

Pursuant to the Restricted Share Award Scheme, the Board may, from time to time, in its absolute discretion, decide the selected participants after taking into consideration various factors as they deem appropriate and determine the number of award shares to be granted to each of the eligible participants selected by the Board.

The Restricted Share Award Scheme shall be effective from 3 June 2021 and shall continue in full force and effect for a term of ten (10) years or until such date of early termination as determined by the Board, whichever is the earlier, after which period no further award shares shall be granted or accepted, but the provisions of the Restricted Share Award Scheme shall remain in full force and effect in order to give effect to the vesting of award shares granted and accepted prior to the expiration or termination of the Restricted Share Award Scheme.

As at 30 June 2021, the remaining life of the Restricted Share Award Scheme is approximately 9 years and 11 months.

The maximum number of award shares that may be granted under the Restricted Share Award Scheme in aggregate shall be no more than 25,000,000 Shares, representing 1.87% of the total number of issued Shares as at 30 June 2021, subject to the compliance of the Listing Rules, including, the requirement concerning the maintenance of the public float.

The Restricted Share Award Scheme shall be subject to the administration of the Board and the trustee (which should be a third party independent of the Company) in accordance with the Restricted Share Award Scheme rules and the trust deed. The trustee shall hold the trust fund in accordance with the Restricted Share Award Scheme rules and the terms of the trust deed. For the purpose of the Restricted Share Award Scheme, the trustee will hold shares in two separate trust plans for the respective benefit of the connected persons and other non-connected persons of the Company.

Further details of the principal rules of the Restricted Share Award Scheme are set out in the announcement of the Company dated 3 June 2021. As at 30 June 2021, no award shares have been granted or agreed to be granted under the Restricted Share Award Scheme, nor have any award shares been cancelled.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme, which was approved by the Shareholders on 23 July 2021. The Share Option Scheme will link the value of the Company with the interest of the participants, enabling the participants and the Company to develop together and promote the Company's corporate culture. For details of the Share Option Scheme, please refer to the section headed "Management Discussion and Analysis – Event after the Period – Adoption of Share Option Scheme".

Since the adoption of the Share Option Scheme and to the date of this report, no option had been granted or agreed to be granted by the Company under the Share Option Scheme.

CORPORATE GOVERNANCE

The Company was listed on the Stock Exchange on 10 March 2021 and the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules was not applicable to the Company before the Listing Date.

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 CG Code as its own code of corporate governance. Since the Listing Date and up to 30 June 2021, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision.

Under code provision A.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.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having been made specific enquiries, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date and up to 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date and up to 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this report. The Company maintained the minimum level of public float of 25% of its total issued share capital.

AUDIT COMMITTEE

The Board has established the audit committee (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely, Mr. Chan Wan Tsun Adrian Alan (Chairman), Dr. De-Chao Michael Yu and Mr. Guo Sheng, and one non-executive Director, namely Mr. Chen Zexing. The Audit Committee has adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have also been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in the 2020 annual report of the Company, Mr. Chan Wan Tsun Adrian Alan resigned as independent non-executive director of Grand Baoxin Auto Group Limited (stock code: 1293), a company listed on the Stock Exchange, on 30 June 2021.

Save as above mentioned, there is no change in Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the publication of the Company's 2020 annual report.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHEERWIN GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Cheerwin Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 25 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2020 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2021



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	1,271,905	1,211,672
Cost of sales		(713,917)	(702,366)
Gross profit		557,988	509,306
Other income		13,980	12,681
Other gains and losses	5	(6,621)	(18,463)
Impairment losses under expected credit loss model, net of reversal		(918)	40
Selling and distribution expenses	6	(321,004)	(219,521)
Administrative expenses		(79,965)	(37,524)
Finance costs	7	(1,209)	(988)
Listing expenses		(10,030)	(5,032)
Profit before tax		152,221	240,499
Income tax expense	8	(32,891)	(48,134)
Profit for the period	9	119,330	192,365
Other comprehensive expense			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of a foreign operation		(191)	-
Total comprehensive income for the period		119,139	192,365
Profit (loss) for the period attributable to:			
Owners of the Company		120,028	182,747
Non-controlling interests		(698)	9,618
		119,330	192,365
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		119,860	182,747
Non-controlling interests		(721)	9,618
		119,139	192,365
Earnings per share			
Basic (cents)	11	9.95	18.45
Diluted (cents)	11	9.95	18.45



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	161,711	152,812
Right-of-use assets		23,527	14,872
Deposits paid for acquisition of property, plant and equipment		3,593	5,160
Deferred tax assets	13	55,626	37,313
Time deposits	20	60,000	–
		304,457	210,157
Current assets			
Inventories		184,385	359,794
Trade and other receivables	14	99,806	102,167
Tax recoverable		3,047	3,802
Amounts due from related parties	15	156,265	47,739
Financial assets at fair value through profit or loss (“FVTPL”)	19	50,000	–
Time deposits	20	850,000	–
Bank balances and cash		1,676,950	884,766
		3,020,453	1,398,268
Current liabilities			
Trade and other payables	16	414,468	411,380
Contract liabilities	17	58,232	486,752
Amounts due to related parties	15	57,524	110,222
Lease liabilities		4,169	1,783
Income tax payables		4,077	42,658
Bank borrowing	18	–	300,000
		538,470	1,352,795
Net current assets		2,481,983	45,473
Total assets less current liabilities		2,786,440	255,630
Non-current liability			
Lease liabilities		11,672	5,096
Net assets		2,774,768	250,534
Capital and reserves			
Share capital	21	2	1
Reserves		2,772,634	247,680
Equity attributable to owners of the Company		2,772,636	247,681
Non-controlling interests		2,132	2,853
Total equity		2,774,768	250,534



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Attributable to owners of the Company

	Share capital	Share premium	Capital reserve	Translation reserve	Merger reserve	Statutory reserves	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Note a)	(Note b)				
At 1 January 2020 (audited)	28,501	-	399	-	(28,924)	23,272	(10,014)	13,234	696	13,930
Profit and total comprehensive income for the period	-	-	-	-	-	-	182,747	182,747	9,618	192,365
Deemed distribution arising from Group Reorganisation (as defined in Note 1)	(28,500)	-	-	-	7,894	-	-	(20,606)	(10,314)	(30,920)
Issue of shares of the Company	-	1,550	-	-	-	-	-	1,550	-	1,550
At 30 June 2020 (unaudited)	1	1,550	399	-	(21,030)	23,272	172,733	176,925	-	176,925
At 1 January 2021 (audited)	1	1,550	30,115	6	(21,030)	27,064	209,975	247,681	2,853	250,534
Profit for the period	-	-	-	-	-	-	120,028	120,028	(698)	119,330
Other comprehensive expense for the period	-	-	-	(168)	-	-	-	(168)	(23)	(191)
Total comprehensive income-for the period	-	-	-	(168)	-	-	120,028	119,860	(721)	119,139
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	(58,667)	(58,667)	-	(58,667)
Issue of new share by the Company upon share offer in the Listing (as defined in Note 1 and detailed in Note 21)	1	2,598,217	-	-	-	-	-	2,598,218	-	2,598,218
Transaction costs attributable to issue of new shares	-	(134,456)	-	-	-	-	-	(134,456)	-	(134,456)
At 30 June 2021 (unaudited)	2	2,465,311	30,115	(162)	(21,030)	27,064	271,336	2,772,636	2,132	2,774,768

Notes:

- (a) The amounts represented the difference between the acquisition considerations of group entities comprising the Group under Group Reorganisation (as defined in Note 1) and the paid-up capital of the relevant group entities at the date of acquisition.
- (b) 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 reserve, which is non-distributable, can be used (i) to offset the prior year losses, if any, and/or (ii) in capital conversion.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating cash flows before movements in working capital	161,122	263,491
Decrease in inventories	172,991	184,264
Decrease (increase) in trade and other receivables	1,443	(19,236)
Increase in amounts due from related parties	(108,526)	(103,693)
Increase in trade and other payables	14,766	98,958
Decrease in contract liabilities	(428,520)	(397,087)
Decrease in amounts due to related parties	(42,780)	(60,751)
Cash used in operations	(229,504)	(34,054)
Income tax paid	(89,030)	(53,359)
Net cash used in operating activities	(318,534)	(87,413)
Bank interest income received	7,620	1,350
Receipt of investment income from financial assets at FVTPL	2,344	1,323
Purchase and deposits paid for acquisition of property, plant and equipment	(24,908)	(15,738)
Proceeds on disposal of property, plant and equipment	31	2
Purchase of financial assets at FVTPL	(656,000)	(670,000)
Proceeds on disposal of financial assets at FVTPL	606,000	455,000
Placement of time deposits	(910,000)	–
Withdrawal of pledged bank deposits	–	3,026
Repayments from related parties	–	1
Net cash used in investing activities	(974,913)	(225,036)
Dividends paid	(58,667)	(24,957)
Consideration paid for acquisition of group entities pursuant to Group Reorganisation (Note 1)	–	(4,025)
Share issue cost paid	(3,467)	(271)
Finance costs paid	(1,209)	(219)
Repayments of bank borrowing	(300,000)	–
Repayments of lease liabilities	(1,850)	(1,661)
New bank borrowing raised	–	300,000
Advance from a related party	–	10,768
Repayment to a related party	(9,918)	–
Proceeds from issue of shares	2,463,762	–
Net cash from financing activities	2,088,651	279,635
Net increase (decrease) in cash and cash equivalents	795,204	(32,814)
Cash and cash equivalents at the beginning of the period	884,766	511,035
Effect of foreign exchange rate changes	(3,020)	–
Cash and cash equivalents at the end of the period, represented by bank balances and cash	1,676,950	478,221



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND GROUP REORGANISATION

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 (the “Stock Exchange”) 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 interim report of the Company for the six months ended 30 June 2021.

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 care and other products in the PRC.

In preparation for the listing of the Company’s shares on the Stock Exchange (the “Listing”), the companies comprising the Group underwent a group reorganisation (the “Group Reorganisation”) as described below. Prior to the Group Reorganisation, the operating subsidiaries of the Group comprise:

- (a) Guangzhou Cheerwin Biotechnology Company Limited* (廣州超威生物科技有限公司) (“Cheerwin Biotechnology”), a company established in the PRC;
- (b) Guangzhou Cheerwin Household Chemicals Company Limited* (廣州超威日用化學用品有限公司) (“Panyu Cheerwin”), a company established in the PRC;
- (c) Anfu Cheerwin Rihua Company Limited* (安福超威日化有限公司) (“Anfu Cheerwin”), a company established in the PRC;
- (d) Guangzhou Tongli Daily Supplies Company Limited* (廣州通力日用品有限公司) (“Guangzhou Tongli”), a company established in the PRC;
- (e) Guangzhou Yuncheng Network Technology Company Limited* (廣州雲成網絡科技有限公司) (“Guangzhou Yuncheng”), a company established in the PRC;
- (f) Guangzhou Leda Automobile Supplies Company Limited* (廣州樂達汽車用品有限公司) (“Leda Automobile”), a company established in the PRC;



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND GROUP REORGANISATION (continued)

- (g) Shanghai Runzhisu Biotechnology Company Limited* (上海潤之素生物科技有限公司) (“Shanghai Runzhisu”), a company established in the PRC;
- (h) Guangzhou Yuntuo E-commerce Company Limited* (廣州雲拓電子商務有限公司) (“Guangzhou Yuntuo”), a company established in the PRC; and
- (i) Shanghai Cheerwin Biotechnology Company Limited* (上海朝雲生物科技有限公司) (“Shanghai Cheerwin”), a company established in the PRC.

* The translation of name in English is for identification purpose only.

These operating subsidiaries have been under the collective control of the Controlling Shareholders before and after the Group Reorganisation, and interests held by parties other than the Controlling Shareholders before the completion of the Group Reorganisation are presented as non-controlling interests of the Group in the condensed consolidated financial statements.

The major steps of the Group Reorganisation include the following:

- (i) On 27 March 2018, Cheerwin Global BVI was incorporated as a limited liability company under the laws of BVI authorised to issue a maximum number of 50,000 shares of par value of United States dollars (“USD”) 1 each. On the same date, 65 shares and 35 shares in Cheerwin Global BVI were allotted and issued at par to Ms. Li and Ms. Ma, respectively.
- (ii) On 27 March 2018, Cheerwin Group Limited (“Cheerwin Group BVI”) was incorporated as a limited liability company under the laws of BVI authorised to issue a maximum number of 50,000 shares of par value of USD1 each. On the same date, 65 shares and 35 shares in Cheerwin Group BVI were allotted and issued at par to Ms. Li and Ms. Ma, respectively.
- (iii) On 13 April 2018, Cheerwin Group Limited (“Cheerwin Group HK”) was incorporated in Hong Kong as a limited company with an issued share capital of HK\$100 divided into 100 shares of Hong Kong dollars (“HK\$”) 1 each. On the same date, 65 shares and 35 shares in Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma, respectively, at a cash consideration of HK\$100.

On 13 April 2018, Cheerwin Global Limited (“Cheerwin Global HK”) was incorporated in Hong Kong as a limited company with an issued share capital of HK\$100 divided into 100 shares of HK\$1 each. On the same date, 65 shares and 35 shares in Cheerwin Group HK were allotted and issued to Ms. Li and Ms. Ma, respectively, at a cash consideration of HK\$100.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND GROUP REORGANISATION (continued)

- (iv) On 11 April 2018, the Company was incorporated under the Companies Act, Cap. 22 of the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was USD50,000 divided into 50,000 shares with a par value of USD1 each. Upon incorporation, 65 shares and 35 shares in the Company were allotted and issued at par to Ms. Li and Ms. Ma, respectively.
- (v) On 19 October 2018, Guangzhou Cheerwin Holding Company Limited* (廣州朝雲控股有限公司) (“Guangzhou Cheerwin”) was established under the laws of the PRC with a registered capital of RMB30,000,000 divided into 30,000,000 shares and fully paid up in cash by the Controlling Shareholders.
- (vi) On 14 November 2018 and 19 November 2018, Guangzhou Cheerwin established two wholly-owned subsidiaries, Guangzhou Yuntuo and Shanghai Runzhisu under the laws of the PRC, each with a registered capital of RMB1,000,000 divided into 1,000,000 shares.
- (vii) On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in Cheerwin Group HK to Cheerwin Group BVI at a cash consideration of HK\$100. On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in Cheerwin Group BVI to the Company at a cash consideration of USD100. Upon the completion of the transfers, Cheerwin Group HK and Cheerwin Group BVI became the wholly-owned subsidiaries of the Company.
- (viii) On 27 March 2019, Ms. Li and Ms. Ma transferred their entire equity interests in the Company to Cheerwin Global BVI, and as a consideration, 5,850 shares and 3,150 shares in Cheerwin Global BVI were allotted and issued to Ms. Li and Ms. Ma, respectively.
- (ix) On 27 March 2019, Cheerwin Global BVI further allotted and issued 650 shares and 350 shares at par to Mr. KX Chen and Mr. KC Chen, respectively. Upon completion of the above allotment and issues, Cheerwin Global BVI was held as to 58.5%, 31.5%, 6.5% and 3.5% by Ms. Li, Ms. Ma, Mr. KX Chen and Mr. KC Chen, respectively.
- (x) On 16 May 2019, the Controlling Shareholders transferred 5% of equity interest in Guangzhou Cheerwin to Bestart (Hong Kong) Investments Company Limited (“Bestart HK”), a company incorporated in Hong Kong and wholly owned by Mr. Mao (“Mr. Mao”), who is independent to the Group, at a cash consideration of RMB1,500,000.
- (xi) On 29 July 2019, Guangzhou Cheerwin established a wholly-owned subsidiary, Shanghai Cheerwin under the laws of the PRC with a registered capital of RMB5,000,000, divided into 5,000,000 shares.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND GROUP REORGANISATION (continued)

- (xii) On 7 November 2019, Guangzhou Cheerwin acquired the entire equity interests in Cheerwin Biotechnology from the Controlling Shareholders for a cash consideration of RMB7,801,000.
- (xiii) On 27 November 2019, Guangzhou Cheerwin acquired the entire equity interests in Guangzhou Tongli, Guangzhou Yuncheng and Leda Automobile from Cheerwin Biotechnology for an aggregate cash consideration of RMB1,830,000.
- (xiv) On 10 December 2019, Cheerwin Biotechnology acquired 52% of equity interest in Panyu Cheerwin from a company and a limited partnership owned and controlled by the Controlling Shareholders for a cash consideration of RMB18,046,000.
- (xv) On 31 December 2019, Cheerwin Biotechnology acquired the entire equity interest in Anfu Cheerwin from the Controlling Shareholders and a company controlled by the Controlling Shareholders for an aggregate cash consideration of RMB53,677,000.
- (xvi) On 24 June 2020, Cheerwin Group HK acquired 95% of equity interest in Guangzhou Cheerwin from the Controlling Shareholders for a cash consideration of RMB29,370,000.
- (xvii) On 24 June 2020, Cheerwin Group HK acquired the remaining 5% of equity interest in Guangzhou Cheerwin from Bestart HK for a cash consideration of RMB1,550,000. Upon the completion of the acquisition, Guangzhou Cheerwin and its wholly-owned subsidiaries became the wholly-owned subsidiaries of the Company.
- (xviii) On 24 June 2020, the Company further allotted and issued 100 shares, among 98 shares were allotted and issued at par to Cheerwin Global BVI and 2 shares were allotted and issued to Bestart International Holdings Limited (“Bestart BVI”), a company incorporated in the BVI and wholly owned by Mr. Mao at a cash consideration of RMB1,550,000. Upon the completion of the above allotment and issues, the Company was held as to 99% and 1% by Cheerwin Global BVI and Bestart BVI, respectively.
- (xix) On 26 June 2020, Cheerwin Group HK acquired the entire equity interests in Cheerwin Global HK from the Controlling Shareholders for a cash consideration of HK\$100.

* The translation of name in English is for identification purpose only.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND GROUP REORGANISATION (continued)

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 26 June 2020. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity, as the Company and its subsidiaries have been under the collective control of the Controlling Shareholders before and after the Group Reorganisation, or since their respective dates of incorporation/establishment/acquisition by the Company, where is a shorter period. Accordingly, the condensed consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue by types of products		
Household insecticides and repellents	918,932	825,226
Household cleaning	218,371	262,423
Air care	34,414	34,203
Personal care	71,615	75,068
Pet care	26,150	5,805
Others (Note)	2,423	8,947
Total	1,271,905	1,211,672
Timing of revenue recognition		
At a point in time	1,271,905	1,211,672

Note: Others included numerous household supplies, appliances and other products, none of them accounted for a material portion individually.

(ii) Transaction price allocated to the remaining performance obligations for contracts with customers

As at 30 June 2021, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB58,232,000 (unaudited) (31 December 2020: RMB486,752,000 (audited)). The amounts were equivalent to the contract liabilities as at 30 June 2021 and 31 December 2020, which represented payments received from customers by the Group while the underlying goods are yet to be delivered.

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 30 June 2021 and 31 December 2020 will be recognised as revenue within next twelve months.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT INFORMATION (continued)

(iii) Segment information

Revenue and operating result of the Group are reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group’s accounting policies. No other analysis of the Group’s results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

(iv) Geographic information

The Group principally operates in the PRC, which is also the place of domicile. The Group’s revenue is almost all derived from operations in the PRC and the Group’s non-current assets are almost all located in the PRC.

(v) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group’s total revenue are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A (Note)	216,017	245,243

Note: Customer A represented a group of entities under common control of the Controlling Shareholders. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective periods.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses on disposal/write-off of property, plant and equipment	–	(9)
Donations (Note)	(117)	(18,454)
Foreign exchange losses, net	(6,504)	–
	(6,621)	(18,463)

Note: During the six months ended 30 June 2020, the Group made a donation of disinfectant and relevant anti-epidemic products with carrying value of RMB18,454,000 (unaudited) to the Red Cross Society of China.

6. SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs	47,960	29,832
Promotion expenses	75,627	52,233
E-commerce channel promotion expenses	97,539	39,326
Advertising service expenses	31,294	33,190
Transportation and storage expenses	59,092	56,616
Marketing expenses	7,055	8,101
Others	2,437	223
	321,004	219,521



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	346	219
Interest expense on bank borrowing	863	769
	1,209	988

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	51,204	62,022
Deferred tax (Note 13)	(18,313)	(13,888)
	32,891	48,134

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.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both periods.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for both periods, except for those described below.

Anfu Cheerwin has been qualified as a New and Hi-Tech Enterprise and entitled to a preferential tax rate of 15% from 2019 to 2021 granted by the local tax authority.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (Note i):		
– Directors' remuneration	10,507	1,036
– Salaries and other allowances	79,021	63,558
– Contributions to retirement benefits scheme (excluding directors)	2,755	1,818
	92,283	66,412
Depreciation of property, plant and equipment	12,163	5,147
Depreciation of right-of-use assets	2,157	1,660
Total depreciation	14,320	6,807
Less: capitalised in inventories	(3,800)	(1,874)
	10,520	4,933
Auditor's remuneration	1,960	375
Cost of inventories recognises as an expense (Note ii)	711,616	701,813

Notes:

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs included in cost of inventories and recognised as an expense	10,504	12,943
Selling and distribution expenses	47,960	29,832
Administrative expenses	33,819	23,637
	92,283	66,412

- (ii) Amount included allowance for inventories of approximately RMB2,301,000 (unaudited) (six months ended 30 June 2020: RMB553,000 (unaudited)).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. DIVIDENDS

During the current interim period, a final dividend of RMB0.044 per ordinary share (equivalent to HK\$0.0524 per ordinary share) in respect of the year ended 31 December 2020 (six months ended 30 June 2020: nil) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately RMB58,667,000 (six months ended 30 June 2020: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	120,028	182,747
	No. of Shares	No. of Shares
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,206,262	990,385

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on the assumption that the Group Reorganisation and share subdivision as described in Note 21 had been effective on 1 January 2020.

The computation of diluted earnings per share for the six months ended 30 June 2021 did not assume the exercise of over-allotment option issued by the Company because the exercise price of those options was higher than the average market price for shares during the stabilisation period of the over-allotment option.

No diluted earnings per share is presented for the six months ended 30 June 2020 as there was no potential ordinary share in issue.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB21,093,000 (unaudited) (six months ended 30 June 2020: RMB12,119,000 (unaudited)) on the acquisition of property, plant and equipment.

13. DEFERRED TAX ASSETS

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

	Accrued sales rebates	Unrealised profit on inventories	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	25,871	3,158	29,029
Credited to profit or loss	4,322	3,962	8,284
At 31 December 2020 (audited)	30,193	7,120	37,313
Credited to profit or loss	14,830	3,483	18,313
At 30 June 2021 (unaudited)	45,023	10,603	55,626

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	37,372	18,675
Less: Allowances for credit losses	(3,717)	(2,799)
	33,655	15,876
Prepayments for purchase of raw materials	9,876	13,272
Prepaid promotion service expenses	15,715	2,897
Other tax recoverables	18,886	39,809
Deferred issue costs	–	11,660
Receivables from payment intermediaries (Note)	3,453	603
Other receivables	18,221	18,050
	99,806	102,167

Note: Receivables from payment intermediaries represent the sales received by Alipay, Jingdong and other payment 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed regularly.

The Group generally requires advance payments from majority of its customers before delivery of goods. For certain customers, the Group allows credit terms of 5 to 60 days from the invoice date for trade receivables.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date which approximated the revenue recognition date at the end of each reporting period:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	12,084	8,678
31 – 60 days	16,929	4,585
61 – 90 days	2,277	2,613
91 – 120 days	2,365	–
	33,655	15,876

As at 30 June 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB21,571,000 (unaudited) (31 December 2020: RMB7,198,000 (audited)) which are past due as at the reporting date. In particular, for trade receivable past due as at 30 June 2021, carrying amount of RMB11,980,000 (unaudited) (31 December 2020: RMB6,576,000 (audited)) is due from one single customer. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable considering factors such as historical settlement patterns from and on-going business relationship with this customer. Out of the past due balances as at 30 June 2021, RMB2,365,000 (unaudited) (31 December 2020: nil) have been past due over 90 days or more and are not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables (continued)

As at 31 December 2020, the Group considered trade receivables with gross amount of approximately RMB1,943,000 (audited) became credit-impaired, as these debts were outstanding for more than one year and several attempts have been made by the Company to recover the debts but remained unsettled. Management of the Group determined to terminate the business relationship with these debtors.

The Group applies the simplified approach to provide for expected credit losses (“ECL”) prescribed by IFRS 9 “Financial Instruments”, which permits the use of the lifetime expected loss provision for trade receivables.

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. The remaining trade receivables are assessed collectively, grouped by internal credit rating taking into account past due status of respective receivables. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the six months ended 30 June 2021, the Group recognised credit loss allowance of approximately RMB918,000 (unaudited) (six months ended 30 June 2020: reversal of credit loss allowance of approximately RMB40,000 (unaudited)) for trade receivables.

15. AMOUNTS DUE FROM (TO) RELATED PARTIES/A SUBSIDIARY

Amounts due from related parties

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade nature (Notes a & b)		
– Guangzhou Liby Group Company Limited	71,523	14,455
– Guangdong Liby Washing Products Company Limited	43,669	20,819
– Shanghai Liby Shiye Company Limited	19,828	10,643
– Tianjin Liby Product Sales Company Limited	14,358	178
– Chengdu Liby Shiye Company Limited	3,159	1,226
– Nanjing Liby Rihua Company Limited	1,915	272
– Guangzhou Liby (Panyu) Company Limited	691	–
– Maanshan Liby Rihua Company Limited	451	–
– Liby Rihua Company Limited	135	–
	155,729	47,593
Trade related prepayments (Note a)		
– Guangzhou Zhanze Property Management Company Limited	536	146
	156,265	47,739



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. AMOUNTS DUE FROM (TO) RELATED PARTIES/A SUBSIDIARY (continued)

Amounts due from related parties (continued)

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 with related parties at the end of the reporting period presented based on the invoice date.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 45 days	142,369	24,993
46 – 90 days	13,360	10,673
91 – 135 days	–	10,047
136 – 180 days	–	1,879
Over 180 days	–	1
	155,729	47,593

As at 30 June 2021, included in the Group's trade related balances with related parties approximately RMB13,360,000 (unaudited) (31 December 2020: RMB22,600,000 (audited)) were past due as at the reporting date. Out of the past due balances as at 30 June 2021 was nil (unaudited) (31 December 2020: RMB1,880,000 (audited)) had been past due 90 days or more and was not considered as in default by considering the historical payment arrangement and forward-looking information of these related parties. The Group did not hold any collateral over these balances.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. AMOUNTS DUE FROM (TO) RELATED PARTIES/A SUBSIDIARY (continued)

Amounts due to related parties

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade nature (Note a)		
– Guangzhou Liby Group Company Limited	17,987	48,641
– Xinxiang Liby Shiye Company Limited	10,286	13,407
– Guangzhou Liby (Panyu) Company Limited	10,667	10,451
– Maanshan Liby Rihua Company Limited	10,974	14,807
– Siping Liby Rihua Company Limited	3,428	7,714
– Tianjin Liby Rihua Company Limited	–	75
– Liby Rihua Company Limited	1,532	2,657
– Sichuan Liby Shiye Company Limited	2,495	1,694
– Shanghai New COGI Cosmetic Co., Ltd.	155	858
	57,524	100,304
Non-trade nature (Note b)		
– Faguo Kangliang Cosmetics Company Limited	–	9,918
	57,524	110,222

Notes:

- (a) 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 the reporting period presented based on invoice date:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	54,268	48,250
31 – 60 days	2,280	27,458
61 – 90 days	503	20,955
91 – 180 days	–	2,179
181 – 365 days	473	1,462
	57,524	100,304

- (b) The balance is interest-free, non-trade related, unsecured and repayable on demand.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables	171,845	221,238
Accrued sales rebates (Note)	122,793	96,362
Other accrued expenses	40,928	28,483
Accrued staff payroll and welfare	25,129	29,758
Construction costs payables	2,715	8,097
Other tax payables	15,937	6,560
Other payables	3,482	3,305
Accrued issued costs and listing expenses	31,639	17,577
	414,468	411,380

Note: The accrued sales rebates will be settled in cash or through offsetting future sales orders, at the discretion of the Group's customers.

Trade payables

The credit period of trade payables is normally within 20 to 60 days from the invoice date.

The following is an aged analysis of trade payables, presented based on the invoice date at the end of each reporting period:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	105,526	126,308
31 – 60 days	35,673	85,494
61 – 90 days	24,471	6,754
Over 90 days	6,175	2,682
	171,845	221,238



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For the six months ended 30 June 2021

17. CONTRACT LIABILITIES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Receipts in advances from customers		
– finished goods	58,232	486,752

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.

18. BANK BORROWING

As at 31 December 2020, the Group's bank borrowing of RMB300,000,000 was denominated in RMB, carried interest at a fixed rate of 2.05% per annum and was repayable within one year from the end of the reporting period. The bank borrowing has been fully repaid in the current interim period.

19. FINANCIAL ASSETS AT FVTPL

As at 30 June 2021, financial assets at FVTPL represented structured deposits of RMB50,000,000 (unaudited), which were principal protected deposits placed in banks in the PRC. The return of the structured deposits was determined by reference to the return of their underlying investments. The expected return of the structured deposits as at 30 June 2021 were ranging from 1.95% to 3.40% per annum. The structured deposit as at 30 June 2021 have no fixed contractual period, they can be redeemed any time at the Group's discretion.

Since the contractual cash flows of structured deposits do not represent solely the payments of principal and interest on the principal amount outstanding, structured deposits are measured at FVTPL. Details of the fair value measurement over the structured deposits are disclosed in Note 23.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. TIME DEPOSITS

As at 30 June 2021, time deposits of RMB910,000,000 (unaudited) (31 December 2020: nil) were denominated in RMB and carried fixed-rates ranging from 2.25% to 3.47% (31 December 2020: nil) per annum.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Time deposits with maturity of three months or less	250,000	–
Time deposits with maturity of more than three months but less than one year	600,000	–
Time deposits with maturity of more than one year	60,000	–
	910,000	–
Presented as:		
Current	850,000	–
Non-current	60,000	–
	910,000	–



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

21. SHARE CAPITAL

	Par value	Number of shares	Share capital USD	Presented as RMB'000
Authorised:				
At 1 January 2020, 30 June 2020 and 1 January 2021	USD1	50,000	50,000	
Cancellation (Note i)	USD1	(50,000)	(50,000)	
Share subdivision (Note i)	USD0.0000002	250,000,000,000	50,000	
At 30 June 2021 (unaudited)	USD0.0000002	250,000,000,000	50,000	
Issued and fully paid:				
At 1 January 2020	USD1	100	100	
Issue of shares (Note 1 (xviii))	USD1	100	100	
At 30 June 2020 and 1 January 2021	USD1	200	200	1
Cancellation (Note i)	USD1	(200)	(200)	(1)
Share subdivision (Note i)	USD0.0000002	1,000,000,000	200	1
Issue of shares pursuant to initial public offering (Note ii)	USD0.0000002	333,333,500	67	1
At 30 June 2021 (unaudited)	USD0.0000002	1,333,333,500	267	2

Notes:

- (i) On 19 February 2021, the authorised share capital of the Company of par value USD1.00 each was subdivided into 5,000,000 shares of par value USD0.0000002 each. Upon the subdivision, the authorised share capital of the Company was changed from USD50,000 divided into 50,000 shares of a par value of USD1.00 each to USD50,000 divided into 250,000,000,000 shares of a par value of USD0.0000002 each and the issued share capital of the Company became USD200 divided into 1,000,000,000 shares of a par value of USD0.0000002 each.
- (ii) On 10 March 2021, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 333,333,500 new shares of USD0.0000002 each issued at a price of HK\$9.2 per share.

22. CAPITAL COMMITMENTS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	29,643	14,527



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value		Fair value hierarchy	Valuation technique and key input
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)		
Financial assets classified at FVTPL	50,000	–	Level 2	Quoted value from bank based on expected return with reference to underlying investment which consists mainly money market instruments and fixed-income instruments.

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

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. RELATED PARTY TRANSACTIONS

- (a) Details of the balances with related parties at the end of the reporting period are disclosed in the condensed consolidated statement of financial position and Note 15 to the condensed consolidated financial statements. Apart from disclosure elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties during the period:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales to related parties (Note)		
– Guangzhou Liby Group Company Limited	99,615	102,503
– Guangdong Liby Washing Products Company Limited	64,055	80,439
– Shanghai Liby Shiye Company Limited	30,238	42,252
– Tianjin Liby Product Sales Company Limited	12,818	961
– Tianjin Liwang E-commerce Company Limited	–	204
– Guangzhou Liby (Panyu) Company Limited	1,752	2,362
– Xinxiang Liby Shiye Company Limited	212	291
– Maanshan Liby Rihua Company Limited	1,028	4,571
– Chengdu Liby Shiye Company Limited	3,536	5,357
– Nanjing Liby Rihua Company Limited	2,462	3,783
– Shanghai New COGI Cosmetic Co., Ltd.	–	2,332
– Liby Rihua Company Limited	301	184
– Tianjin Liby Rihua Company Limited	–	4
	216,017	245,243
Purchase from related parties (Note)		
– Guangzhou Liby Group Company Limited	22	4,258
– Xinxiang Liby Shiye Company Limited	22,855	23,340
– Guangzhou Liby (Panyu) Company Limited	20,422	21,783
– Maanshan Liby Rihua Company Limited	24,685	28,912
– Siping Liby Rihua Company Limited	5,923	10,044
– Tianjin Liby Rihua Company Limited	–	5,379
– Liby Rihua Company Limited	8,138	18,978
– Shanghai New COGI Cosmetic Co., Ltd.	1,381	135
– Sichuan Liby Shiye Company Limited	5,403	–
	88,829	112,829



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For the six months ended 30 June 2021

24. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Advertising service expenses (Note)		
– Guangzhou Megahive Media Company Limited	–	6,213
– Shanghai New COGI Cosmetic Co., Ltd.	–	387
	–	6,600
Sales support service expenses (Note)		
– Guangzhou Liby Group Company Limited	16,000	15,325
Warehousing service expenses (Note)		
– Guangzhou Liby Group Company Limited	4,250	7,365
IT service expenses (Note)		
– Guangzhou Liby Group Company Limited	1,150	1,155
Expenses relating to short-term leases (Note)		
– Shanghai New COGI Cosmetic Co., Ltd.	212	281
– Xinxiang Liby Shiye Company Limited	–	685
– Liby Rihua Company Limited	18	18
	230	984
Payment of lease liabilities (Note)		
– Guangzhou Liby Group Company Limited	1,164	515
– Guangzhou Liby (Panyu) Company Limited	1,013	1,013
	2,177	1,528
Property management expenses (Note)		
– Guangzhou Zhanze Property Management Company Limited	395	221

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

24. RELATED PARTY TRANSACTIONS (continued)

(a) (Continued)

Guangzhou BKDR Commercial Factoring Company Limited and Shanghai BKDR Commercial Factoring Company Limited (collectively as “Baokai Daorong”), are entities controlled by the Controlling Shareholders, which are primarily engaged in the business of providing trade financing services. During the six months ended 30 June 2020, the Group entered into tripartite agreements with Baokai Daorong and the customers of the Group, in which Baokai Daorong granted cash advances to the customers of the Group based on the purchase orders made to the Group and the customers of the Group repay principals and interests to Baokai Daorong on the cash advances financed by Baokai Daorong. For the six months ended 30 June 2020, Baokai Daorong provided financing to certain customers of the Group amounted to approximately RMB16,012,000 under this arrangement. No such tripartite agreements were entered into for the six months ended 30 June 2021.

(b) Compensation of key management personnel

The remuneration of directors, being the key management of the Company is set out in Note 9.

25. EVENT AFTER THE REPORTING PERIOD

Adoption of Share Option Scheme

On 23 July 2021, an extraordinary general meeting of the Company was held to approve the adoption of a share option scheme (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to attract, retain and motivate talented employees (including directors and 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 options may be granted to any director or employee who the directors of the Company consider, in their sole discretion, have contributed or will contribute to the Group. The exercise price shall be at a price determined by the directors of the Company at their absolute discretion 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 Option Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. The exercisable period of an option shall not exceed 10 years from the date of grant.

Details are set out in the announcements made by the Company on 3 June 2021 and 23 July 2021 and the circular of the Company dated 8 July 2021.