

CHEERWIN

朝雲集團有限公司

Cheerwin Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6601



2022
INTERIM REPORT



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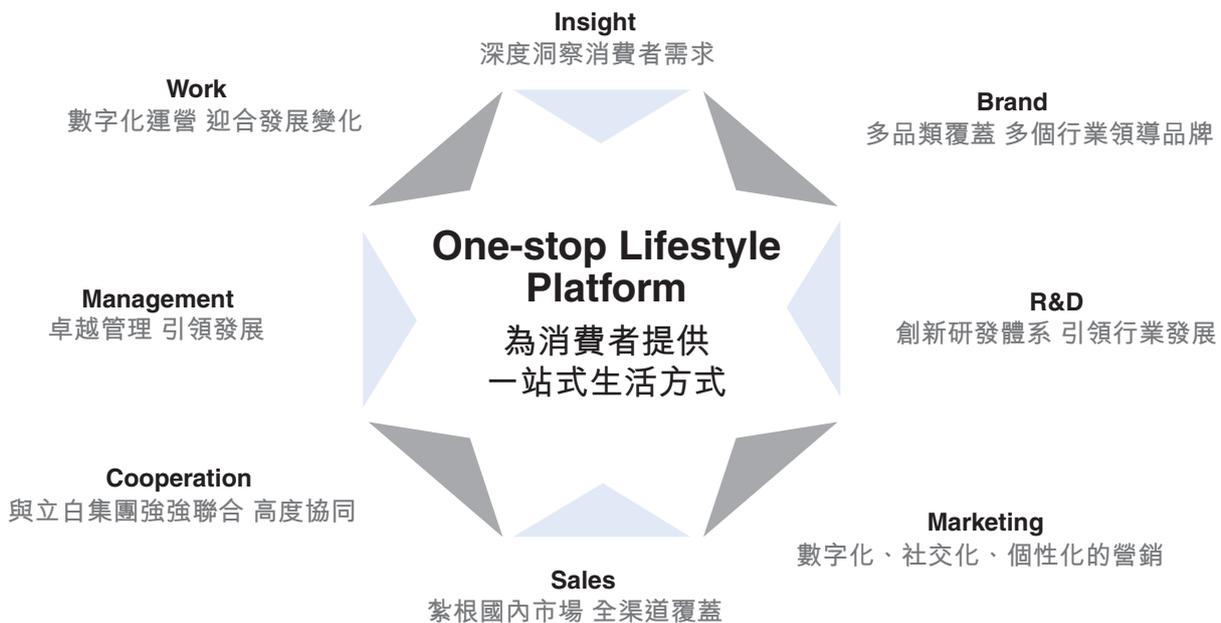
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CORPORATE INTRODUCTION

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 product and personal care platform in China, developing and manufacturing a variety of household care, pet product and personal care products.

We are committed to providing consumers with a one-stop lifestyle offering through our focus on the eight pillars to underpin our 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 and personal care product, among which our pet product category is developing rapidly. We provide consumers with one-stop comprehensive household care, pet product 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 product 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, HKACG*)

AUTHORISED REPRESENTATIVES

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
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COMPLIANCE ADVISOR

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LEGAL ADVISOR

As to Hong Kong law
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REGISTERED OFFICE

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HEAD OFFICE IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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	
	2022	2021
	RMB'000	RMB'000
Revenue	1,021,635	1,271,905
Gross profit	400,383	557,988
Profit before tax	122,860	152,221
Profit for the period	89,335	119,330
Adjusted profit for the period [#]	91,706	129,477
Earnings per share		
– Basic (RMB cents)	6.72	9.95

Adjusted for one-time charity donations and listing expenses.

ASSETS, LIABILITIES AND EQUITY

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets	403,420	318,967
Current assets	2,838,788	3,103,683
Total assets	3,242,208	3,422,650
Equity and liabilities		
Equity attributable to owners of the Company	2,803,646	2,733,761
Non-controlling interests	1,282	1,498
Total equity	2,804,928	2,735,259
Non-current liability	15,522	9,392
Current liabilities	421,758	677,999
Total liabilities	437,280	687,391
Total equity and liabilities	3,242,208	3,422,650



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In the first half of 2022, various uncontrollable factors such as resurgence of the pandemic, extreme weather and global turbulence had adversely impacted on the Group's business operations:

1. Interrupted delivery of online orders: many cities across the country were affected by the regulatory measures related to the pandemic, which involved suspended shipments or the timing of shipments could not be guaranteed;
2. Disruption in offline business: offline business was affected by constraints on activities such as travel, marketing activities and supply of goods, thus the expansion of such offline distribution channels was slower than expected; in addition, the passenger flow of retail terminals has also plummeted, and some shopping malls and supermarkets also suffered losses or closures due to the decline in passenger flow, which indirectly affected the Group's offline sales;
3. Restricted production: the supply of raw materials was disrupted, in particular, the Company's factories located in eastern China was affected by the shutdown restrictions on production, which affected the timely supply of household repellent and insecticide products, household cleaning products and personal care products;
4. Abnormal weather affected the sales of repellent and insecticide products: due to the effect of extreme weather, the demand for insecticide and repellent products has shrunk, which has significantly adversely affected the sales of our household repellents and insecticides products, being our leading product category, in the first half of 2022; and
5. Affected by the global turbulence and the epidemic, the continuous rising costs of raw materials and packaging materials has also pushed up the Group's production costs and pressured the Group's profit margin.

Affected by the above factors, in the first half of 2022, the Group recorded revenue of RMB1,021.6 million, representing a year-on-year decrease of 19.7%; the Group's gross profit margin was 39.2%, representing a year-on-year decrease of 4.7 percentage points; the Group's net profit was RMB89.3 million, representing a year-on-year decrease of 25.1%. On the other hand, during the reporting period, the Group strengthened the production management of various channels and product categories and adopted sound financial management policies to strengthen its risk resistance capability. As a result, the Group recorded selling and distribution expenses of RMB238.5 million, representing a year-on-year decrease of 25.7%; administrative expenses was RMB72.7 million, representing a year-on-year decrease of 9.1%.



MANAGEMENT DISCUSSION AND ANALYSIS

The breakdown of revenue by product categories are as follows:

- For the pet products category, revenue for the six months ended 30 June 2022 was RMB32.1 million, representing an increase of 22.6% as compared to the six months ended 30 June 2021;
- For household care products category, which includes household repellent and insecticide products, household cleaning and air care products, revenue for the six months ended 30 June 2022 was RMB942.0 million, representing a decrease of 19.6% as compared to the six months ended 30 June 2021; and
- For the personal care products category, revenue for the six months ended 30 June 2022 was RMB44.3 million, representing a decrease of 38.1% as compared to the six months ended 30 June 2021.

The breakdown of revenue by sales channels are as follows:

- For online channels, revenue for the six months ended 30 June 2022 was RMB273.0 million, representing an increase of 6.2% as compared to the six months ended 30 June 2021; and
- For offline channels, which comprises offline distributors, corporate and institutional customers, overseas distributors and retail channel (Liby Channel), revenue for the six months ended 30 June 2022 was RMB748.6 million, representing a decrease of 26.2% as compared to the six months ended 30 June 2021.

In the first half of 2022, multiple measures were implemented by the Group to proactively cope with a variety of difficulties and challenges so as to ensure the orderly operation of its businesses:

- In terms of product category: we have been upgrading the existing product lines and develop new products with high profit margin, and launch categories of products which are distinguishable, efficient, composed of healthy ingredients, and solution-focused on consumers' needs. In the first half of 2022, we successfully launched new products such as Superb 8-hour long-lasting mosquito repellent (超威8小時長效驅蚊小綠瓶) and Babeking mosquito repellent series (peach scent) (貝貝健蜜桃驅蚊系列), freeze-dried snacks with partition-locking packaging technology which are newly innovated in the pet industry (寵物分區鎖鮮包裝工藝凍乾零食) and personal care sophora soap (個人護理苦參皂), etc.. The revenue contribution from pet food, personal care and household cleaning product businesses has increased, and the structure of our products have gradually optimized, and it is expected that the profitability of the Group will be further improved.
- In terms of sales channel: (i) offline channels – we have been enhancing the quality of our distribution outlets by leveraging on the sales of products with high profit margin, and to enhance the market foundation with widen distribution coverage of multi-category products. We also created our terminal brand image in standardised offline stores that reinforces the professional image of our Superb mosquito repellent products ranking first in the industry and Vewin household cleaning products. Also, our personal care products and air care products are promoted in a special display feature of products stacking with chamfers arrangement (堆頭切角) with an aim to improve the promotion efficiency of our resources input; (ii) online channels – while steadily developing our “Tao-series direct sales platform” (淘系直營平台), we have also been cultivating our distribution channels on JD.com, Pinduoduo (拼多多) and Taobao (淘寶) to realise growth, and at the same time operating the sales channel on Douyin (抖音) independently with an aim to embrace the new incremental opportunities; and (iii) pet product business – we have established an offline distribution team for our pet products, and have commenced investment promotion for exploring new cooperation opportunities and expanding the coverage of our business partners.



MANAGEMENT DISCUSSION AND ANALYSIS

- Strategic investment landing: through our strategic investment in Wuhan Zhongbo Lvya Biotechnology Limited (武漢中博綠亞生物科技有限公司), we have enhanced the supply chain, research and development and talent layout of our pet medicine and health care products business.

Moreover, the Group continued to promote its brands and products with marketing strategies of digitalization, socialisation and personalization. We have strived to offer our consumers the one-stop high quality products for household care, personal care, and pet care, and have been recognised and well received by our consumers. In particular, NielsenIQ retail market data showed that the Group's household insecticides and repellents products ranked first in China in terms of comprehensive market share of similar products for seven consecutive years from 2015 to 2021.

Business Outlook

Since mid-to-late May of this year, the Group's operation and business expansion experienced an accelerated pace of recovery. In the second half of 2022, the Group will continue to implement the multi-brand, multi-category and full-channel development strategy, continuously develop product innovation and optimize the category structure to improve the overall gross profit margin. In addition, the Company will also strive to develop full-channel sales, strengthen the distribution of high-margin products, and seize the incremental opportunities in emerging channels, such as Douyin. The Company will also establish comprehensive independent offline distribution channels for pet and personal care products to achieve the sustainable development of the Group.

In the second half of 2022, the Group is committed to implementing the following growth strategies:

- Expansion of household cleaning business: We will further improve the product planning of household cleaning products, launch Vewin Moliguojing (威王魔力果淨) which positioned as high-end household cleaners, increase the gross profit margin of household cleaning business, and expand the high-end household cleaning market;
- Expansion of pet business: We will vigorously develop our natural fresh meat pet staple food (真鮮肉寵物主糧) business, and continue to develop offline channels while maintaining the rapid growth of online channels, so as to further increase our market share in the industry and improve our overall profitability;
- Further in-depth development of offline channels: We will optimize and reform the organizational structure of the offline sales system. Following the stabilization of the pandemic situation and the restriction and control policies, we will continue to consolidate the leading position of offline distribution channels and continue to implement the "Million Distribution" project and capture the market share of the high-end products through our distinguishable "Home Clear Product Series (家清產品系列)";
- Breakthrough in online channels: Maintaining the rapid development of emerging online channels such as Douyin, JD.com, Pinduoduo, and Kuaishou (快手), and further consolidate our leading position and business moat in terms of the core competitiveness of various categories of our products and enhance the profitability from our e-commerce segment;
- Cost reduction and efficiency enhancement management: We will strengthen upstream supply chain construction and optimize production costs; keep up with market conditions, improve cost competitiveness through various measures such as centralized procurement and strategic cooperation; and improve the overall input-output ratio, and improve the profitability of various channels and categories; and focus on the expansion of top-selling and high-margin products in the second half of the year, we strive to optimize our cost ratio, improve the overall input-output ratio and enhance the profitability of each channel and category;



MANAGEMENT DISCUSSION AND ANALYSIS

- Technology research and development improvement: We will promote pet food research and development cooperation, establish a joint laboratory for pet health care product, and enhance the core competitiveness of pet business;
- Empowerment through team's building: We will continue to promote multiple incentive mechanisms such as share options and restricted share awards, cash incentives and partnership operations to enhance the Group's organizational cohesion and coordination and ensure efficient implementation of the Group's development strategy;
- Proactiveness in mergers and acquisitions opportunities: We will focus on quality projects in the pet and fast-moving consumer goods (FMCG) industries, and projects highly synergistic with the Group's business, both domestically and overseas, and will accelerate our merger and acquisition initiatives once the capital environment and the epidemic have further stabilised; and
- Implementation of dividend policy: A high-proportion and stable annual dividend policy to maximize shareholders' returns.

FINANCIAL REVIEW

Revenue

The Group derived its revenue primarily from the sales of (i) household care products; (ii) personal care products; (iii) pet products; and (iv) others to customers through our omni-channel sales and distribution network. Our revenue is stated net of allowances for returns, sales discounts, rebates and value-added tax.

Our revenue decreased by 19.7% from RMB1,271.9 million for the six months ended 30 June 2021 to RMB1,021.6 million for the six months ended 30 June 2022. The decrease in our revenue was caused by various uncontrollable factors such as resurgence of the pandemic, extreme weather and global turbulence which had adversely impacted on the Group's business operations. In particular, the online orders delivery and offline business have been disrupted under the control and prevention measures of COVID-19 in 2022, where passenger flow of retail terminals has also plummeted, hence slowing down the offline sales of the Company.

Revenue by product categories

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Household Care ⁽¹⁾	941,996	92.2	1,171,717	92.1
Personal Care	44,343	4.4	71,615	5.6
Pet Products	32,065	3.1	26,150	2.1
Others ⁽²⁾	3,231	0.3	2,423	0.2
Total	1,021,635	100.0	1,271,905	100.0

Notes:

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

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

Our revenue from household care products decreased by 19.6% from RMB1,171.7 million for the six months ended 30 June 2021 to RMB942.0 million for the six months ended 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue from personal care products decreased by 38.1% from RMB71.6 million for the six months ended 30 June 2021 to RMB44.3 million for the six months ended 30 June 2022.

Our revenue from pet products increased by 22.6% from RMB26.2 million for the six months ended 30 June 2021 to RMB32.1 million for the six months ended 30 June 2022.

Revenue by sales channel

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Online Channels ⁽¹⁾	273,005	26.7	256,947	20.2
Offline Channels ⁽²⁾	748,630	73.3	1,014,958	79.8
Total	1,021,635	100.0	1,271,905	100.0

Notes:

- (1) Online channels included self-operated online stores, online distributors, and community e-commerce platforms.
- (2) Offline channels included offline distributors, retail channel (Liby Channel), corporate and institutional customers, overseas distributors, and OEM business.

Revenue from online channels increased by 6.2% from RMB256.9 million for the six months ended 30 June 2021 to RMB273.0 million for the six months ended 30 June 2022.

Revenue from offline channels decreased by 26.2% from RMB1,015.0 million for the six months ended 30 June 2021 to RMB748.6 million for the six months ended 30 June 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 28.2% from RMB558.0 million for the six months ended 30 June 2021 to RMB400.4 million for the six months ended 30 June 2022. Our overall gross profit margin remained relatively stable at 43.9% and 39.2% for the six months ended 30 June 2021 and 2022, respectively.

Gross profit and gross profit margin by product categories

	Six months ended 30 June			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Household Care ⁽¹⁾	365,883	38.8	511,392	43.6
Personal Care	17,441	39.3	29,960	41.8
Pet Products	16,073	50.1	16,383	62.7
Others ⁽²⁾	986	30.5	253	10.4
Total	400,383	39.2	557,988	43.9

Notes:

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



MANAGEMENT DISCUSSION AND ANALYSIS

With respect to the gross profit margin, the cost surge in raw and packaging materials along with the global turbulence and the epidemic, has pressured the Group's profit margin in the six months ended 30 June 2022, in particular:

Our gross profit of household care products for the six months ended 30 June 2022 was RMB365.9 million, whereas the gross profit margin has decreased from 43.6% for the six months ended 30 June 2021 to 38.8% for the six months ended 30 June 2022.

Our gross profit of personal care products for the six months ended 30 June 2022 was RMB17.4 million, whereas the gross profit margin has decreased from 41.8% for the six months ended 30 June 2021 to 39.3% for the six months ended 30 June 2022.

Our gross profit of pet products for the six months ended 30 June 2022 was RMB16.1 million, whereas the gross profit margin has decreased from 62.7% for the six months ended 30 June 2021 to 50.1% for the six months ended 30 June 2022.

Gross profit and gross profit margin by sales channels

	Six months ended 30 June			
	2022		2021	
	Gross profit RMB'000	Gross Profit Margin %	Gross profit RMB'000	Gross Profit Margin %
Online Channels ⁽¹⁾	130,851	47.9	129,554	50.4
Offline Channels ⁽²⁾	269,532	36.0	428,434	42.2
Total	400,383	39.2	557,988	43.9

Notes:

- (1) Online channels included self-operated online stores, online distributors, and community e-commerce platforms.
- (2) Offline channels included offline distributors, retail channel (Liby Channel), corporate and institutional customers, overseas distributors, and OEM business.

Our gross profit of online channels for the six months ended 30 June 2022 was RMB130.9 million, whereas the gross profit margin has decreased from 50.4% for the six months ended 30 June 2021 to 47.9% for the six months ended 30 June 2022.

Our gross profit of offline channels for the six months ended 30 June 2022 was RMB269.5 million, whereas the gross profit margin has decreased from 42.2% for the six months ended 30 June 2021 to 36.0% for the six months ended 30 June 2022.

Other Income

Our other income increased by 109.8% from RMB14.0 million for the six months ended 30 June 2021 to RMB29.3 million for the six months ended 30 June 2022 primarily due to the increase in bank interests over the same periods. Our other income as a percentage of our total revenue increased from 1.1% for the six months ended 30 June 2021 to 2.9% for the six months ended 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 25.7% from RMB321.0 million for the six months ended 30 June 2021 to RMB238.5 million for the six months ended 30 June 2022, primarily attributable to the improvement in the efficiency of the Company's sales management.

Administrative Expenses

Our administrative expenses decreased by 9.1% from RMB80.0 million for the six months ended 30 June 2021 to RMB72.7 million for the six months ended 30 June 2022, partially attributable to the improvement in the Company's efficiency of administrative management.

Other Gains and Losses

We recorded other gains of RMB6.7 million for the six months ended 30 June 2022, compared to other losses of RMB6.6 million for the same period in 2021, primarily due to the increase in fair value of the Company's investment in Shandong Shuaike Pet Product Co., Ltd. (山東帥克寵物用品有限公司).

Finance Costs

Our finance costs decreased from RMB1.2 million for the six months ended 30 June 2021 to RMB0.4 million for the six months ended 30 June 2022 primarily due to a repayment of a loan for COVID-19 pandemic prevention in 2021.

Profit before Tax

As a result of the foregoing, our profit before income tax decreased by 19.3% from RMB152.2 million for the six months ended 30 June 2021 to RMB122.9 million for the six months ended 30 June 2022.

Income Tax Expense

Our income tax expense increased by 1.9% from RMB32.9 million for the six months ended 30 June 2021 to RMB33.5 million for the six months ended 30 June 2022, primarily due to the fact that one of our subsidiaries which enjoyed a preferential income tax rate of 15% since 2019 due to its status as a qualified high-tech enterprise, was still undergoing the renewal process for its qualification as of 30 June 2022, hence a higher tax rate of 25% was adopted. As a result, our effective tax rate has also increased from 21.6% for the six months ended 30 June 2021 to 27.3% for the six months ended 30 June 2022.

Profit for the Period

As a result of the foregoing, our profit decreased by 25.1% from RMB119.3 million for the six months ended 30 June 2021 to RMB89.3 million for the same period in 2022. Our net profit margin decreased slightly from 9.4% for the six months ended 30 June 2021 to 8.7% for the six months ended 30 June 2022.

Non-IFRS Measures: Adjusted Net Profit

Adjusted net profit, as we present, represents profit and total comprehensive income for the period before one-time charity donations 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 one-time 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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	
	2022	2021
	RMB'000	
Profit for the period	89,335	119,330
Adjustments for:		
One-time charity donations	2,371	117
Listing expenses	–	10,030
Adjusted net profit	91,706	129,477

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

Operating Cash Flows

Net operating cash outflow for the six months ended 30 June 2022 was RMB172.4 million, as compared to net operating cash outflow of RMB318.5 million for the six months ended 30 June 2021, resulting from our profit before tax of RMB122.9 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid.

Capital Expenditures

Our capital expenditures decreased from RMB31.9 million for the six months ended 30 June 2021 to RMB13.0 million for the six months ended 30 June 2022. Our capital expenditures were used primarily for acquisition of property, plant and equipment and right-of-use assets. We financed our capital expenditures primarily through our cash generated from our operating activities.

Financial Position

Historically, we funded our operations primarily with net cash generated from our business operations. After the global offering 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.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, we had RMB2,198.5 million in cash and cash equivalents and time deposits, most of which were denominated in RMB.

Gearing Ratio

The gearing ratio increased from 0.5% as at 31 December 2021 to 0.7% as at 30 June 2022, primarily due to the increase in right-of-use assets and lease liabilities.

Significant Investments Held

For the six months ended 30 June 2022, the Group did not hold any significant investments.

Funding and Treasury Policy

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

Material Acquisitions and Future Plans for Major Investment

During the six months ended 30 June 2022, the Group did not conduct any material acquisitions or disposals. In addition, save for the expansion plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 26 February 2021 (the “**Prospectus**”), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Exposure to Fluctuations in Exchange Rates

The Group operates mainly in China with most of its transactions settled in RMB. However, the Group is exposed to foreign exchange risk arising mainly from deposits denominated in USD and Hong Kong dollars. The Group closely monitors the exchange rate fluctuations and reviews its foreign exchange risk management strategies from time to time. The Board may consider hedging foreign exchange exposures where appropriate in order to minimize its foreign exchange risk.

Pledge of Assets

The Group did not have any pledged assets as at 30 June 2022 and 31 December 2021.

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities.

Use of Proceeds from Global Offering

The shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 March 2021 (the “**Listing Date**”). The Company received net proceeds (after deduction of the underwriting commissions and related costs and expenses) from the Global Offering of approximately RMB2,418.8 million (equivalent to approximately HK\$2,883.8 million). The Company intends to



MANAGEMENT DISCUSSION AND ANALYSIS

apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering <i>(RMB million)</i>	Actual net amount utilised for	Actual net amount utilised up to	Unutilised net amount as at 30 June 2022 <i>(RMB million)</i>	Expected timeline of full utilisation of the unutilised proceeds
			the six months ended 30 June 2022 <i>(RMB million)</i>	30 June 2022 <i>(RMB million)</i>		
Research and development of new products, upgrade of existing products and development of new brands and categories	7.1%	171.8	8.7	25.8	146.0	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
Motive 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	43.8	71.2	170.7	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	4.4	14.4	106.5	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	0.5	8.5	112.4	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	24.9	60.2	181.7	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
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	1.2	4.6	237.3	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	57.7	124.6	238.2	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	141.2	309.3	2,109.5	



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the remaining proceeds of approximately RMB2,109.5 million (equivalent to approximately HK\$2,466.7 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 2022.

Human Resources

As at 30 June 2022, the number of employees of the Group was 877 as compared to 855 as at 30 June 2021. The total cost of staff, including basic salary and wages, social insurance and bonus, for the six months ended 30 June 2022 was RMB75.8 million as compared to RMB92.3 million for the same period in 2021. The decrease was mainly attributable to the decrease in staff performance incentive awarded.

Interim Dividend

The Board resolved to declare the payment of an interim dividend of RMB0.0168 per Share (equivalent to HK\$0.0192 per Share) for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), representing a dividend payout ratio of approximately 25% for the six months ended 30 June 2022, on or around Wednesday, 12 October 2022 to the shareholders of the Company (the “**Shareholder(s)**”) whose names appear on the register of members of the Company on Tuesday, 20 September 2022.

The interim dividend shall be declared in RMB and paid in Hong Kong dollars. The interim dividend payable in Hong Kong dollars will be converted from RMB at the average central parity rate of RMB to Hong Kong dollars as announced by the People’s Bank of China for the period from Tuesday, 23 August 2022 to Monday, 29 August 2022.

Closure of Register of Members

As disclosed in the interim results announcement of the Company dated 30 August 2022, for determining the entitlement to the interim dividend, the register of members of the Company was closed from Friday, 16 September 2022 to Tuesday, 20 September 2022, both days inclusive, during which period no share transfers of the Company were registered. To qualify for the interim dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 15 September 2022.



OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to Section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

Interest in Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest ⁽⁴⁾
Chen Danxia	Beneficial owner	3,493,500 (L)	0.26%
Xie Rusong ⁽²⁾	Beneficial owner	600,000 (L)	0.04%
Zhong Xuyi ⁽³⁾	Beneficial owner	600,000 (L)	0.04%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Mr. Xie Rusong is interested in 600,000 underlying Shares. Such underlying Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the share options granted to him under the Share Option Scheme.
- (3) Mr. Zhong Xuyi is interested in 600,000 underlying Shares. Such underlying Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the share options granted to him under the Share Option Scheme.
- (4) As at 30 June 2022, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

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

As at 30 June 2022, 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 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 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 held by Cheerwin Global Limited pursuant to SFO.
- (5) As at 30 June 2022, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2022, 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.



OTHER INFORMATION

RESTRICTED SHARE AWARD SCHEME

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

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

The RSA Scheme shall be effective from its adoption date and shall be in full force and effect for a term of ten years or until such date of early termination as determined by the Board, whichever is the earlier. The maximum number of award shares that may be granted under the RSA Scheme in aggregate shall be no more than 25,000,000 Shares, representing 1.87% of the total number of the issued Shares as at the date of this report, subject to the compliance of the Listing Rules, including, the requirement concerning the maintenance of the public float.

Details of the share awards granted under the RSA Scheme

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

As at 30 June 2022, a total number of 19,800,000 restricted shares, representing approximately 1.48% of the Shares in issue as at the date of this report, had been granted to three Directors, one senior management and five employees of the Group pursuant to the RSA Scheme. The selected participants are not required to pay any exercise price to receive the restricted shares granted under the RSA Scheme while the vesting conditions shall be fulfilled before the restricted shares can be vested. As at the date of this report, no restricted shares have been vested or exercised and no restricted shares have lapsed, nor has any restricted shares been cancelled.

Further details of the RSA Scheme are set out in note 21 to the Notes to the Condensed Consolidated Financial Statements.



OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

The total number of Shares which may be issued under the Share Option Scheme is 63,533,350, representing approximately 4.77% of the total number of issued Shares (i.e. 1,333,333,500 Shares) as at the date of this report.



OTHER INFORMATION

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

The share options granted shall be open for acceptance for a period of seven days from the date of grant. An amount of HK\$1.00 is payable upon acceptance of the grant of the share options. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the Share Option Scheme was conditionally adopted. Accordingly, as at 30 June 2022, the remaining life of the Share Option Scheme is approximately 9 years.

Any option shall be vested on an option-holder upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). The Board may specify the exercise period and/or the vesting schedule of the options in the grant letter, and in all circumstances all options shall automatically lapse upon the expiry of the tenth anniversary of the date of grant. During the six months ended 30 June 2022, no share options were granted under the Share Option Scheme. Details of the movements of the share options granted under the Share Option Scheme as at 30 June 2022 are set out below:

Name of grantee	Position held with the Company/relationship with the Company	Date of grant ⁽¹⁾	No. of Shares involved in the share options outstanding as at 1 January 2022	Share options granted during the six months ended 30 June 2022	Share options exercised during the six months ended 30 June 2022	Share options cancelled during the six months ended 30 June 2022	Share options lapsed during the six months ended 30 June 2022	No. of Shares involved in the share options outstanding as at 30 June 2022	Exercise price ⁽²⁾ (HK\$ per Share)	Exercise period
Ms. Wang Dong	Chief Operating Officer and Joint Company Secretary	23 September 2021	600,000	-	-	-	-	600,000	4.33	15 April 2022 - 15 April 2031
Mr. Xie Rusong	Executive Director and Vice President	23 September 2021	600,000	-	-	-	-	600,000	4.33	15 April 2022 - 15 April 2031
Mr. Zhong Xuyi	Executive Director and Chief Financial Officer	23 September 2021	600,000	-	-	-	-	600,000	4.33	15 April 2022 - 15 April 2031
Other Employees of the Group	Employees of the Group	23 September 2021	3,000,000	-	-	-	(600,000) ⁽³⁾	2,400,000	4.33	15 April 2022 - 15 April 2031
Total			4,800,000	-	-	-	(600,000)	4,200,000		



OTHER INFORMATION

Notes:

- (1) 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2022, 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2023, 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2024, and the remaining 25% of the total number of share options granted (i.e. 1,200,000 share options) shall be vested on 15 April 2025, subject to the fulfillment of the vesting conditions pursuant to the Share Option Scheme.
- (2) The closing price of the securities immediately before the date on which the share options were granted was HK\$4.21 per Share.
- (3) During the six months ended 30 June 2022, 600,000 share options granted to an employee has lapsed upon his resignation.

Please refer to note 21 to the Notes to the Condensed Consolidated Financial Statements for further information of the Share Option Scheme. Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or restricted shares granted under the RSA Scheme.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the six months ended 30 June 2022, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein except for the following provision.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

However, the Company does not have a separate chairman and chief executive officer and the responsibilities of both chairman and chief executive officer vest in Ms. Chen Danxia. The Board believes that vesting the responsibilities of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of seven Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole.

Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS 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 for the six months ended 30 June 2022.



OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

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 2022.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 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.

CHANGES TO DIRECTORS' INFORMATION

There is no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the Company's 2021 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 24 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	1,021,635	1,271,905
Cost of sales		(621,252)	(713,917)
Gross profit		400,383	557,988
Other income		29,325	13,980
Other gains and losses	4	6,675	(6,621)
Impairment losses under expected credit loss model, net of reversal		(1,928)	(918)
Selling and distribution expenses	5	(238,532)	(321,004)
Administrative expenses		(72,653)	(79,965)
Finance costs	6	(410)	(1,209)
Listing expenses		–	(10,030)
Profit before tax		122,860	152,221
Income tax expense	7	(33,525)	(32,891)
Profit for the period	8	89,335	119,330
<i>Other comprehensive income (expense)</i>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		54,215	(191)
Total comprehensive income for the period		143,550	119,139
Profit (loss) for the period attributable to:			
Owners of the Company		89,566	120,028
Non-controlling interests		(231)	(698)
		89,335	119,330
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		143,766	119,860
Non-controlling interests		(216)	(721)
		143,550	119,139
Earnings per share			
Basic (RMB cents)	10	6.72	9.95



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTES	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	165,650	172,900
Right-of-use assets		26,908	22,215
Deposits paid for acquisition of property, plant and equipment		3,388	2,818
Financial assets at fair value through profit or loss ("FVTPL")	12	135,224	66,900
Deferred tax assets	13	72,250	54,134
		403,420	318,967
Current assets			
Inventories		162,986	340,442
Trade and other receivables	14	119,854	70,996
Tax recoverable		217	12,527
Amounts due from related parties	15	128,688	11,562
Other financial assets at amortised cost	18	228,592	–
Time deposits	19	1,567,125	715,329
Bank balances and cash		631,326	1,952,827
		2,838,788	3,103,683
Current liabilities			
Trade and other payables	16	299,016	419,529
Contract liabilities	17	37,906	169,066
Amounts due to related parties	15	64,535	76,765
Lease liabilities		6,810	5,517
Income tax payables		13,491	7,122
		421,758	677,999
Net current assets		2,417,030	2,425,684
Total assets less current liabilities		2,820,450	2,744,651
Non-current liabilities			
Lease liabilities		12,866	9,392
Deferred tax liabilities	13	2,656	–
		15,522	9,392
Net assets		2,804,928	2,735,259
Capital and reserves			
Share capital	20	2	2
Reserves		2,803,644	2,733,759
Equity attributable to owners of the Company		2,803,646	2,733,761
Non-controlling interests		1,282	1,498
Total equity		2,804,928	2,735,259



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Attributable to owners of the Company

	Share capital	Share premium	Capital reserve	Translation reserve	Merger reserve	Share based payments reserve	Statutory reserve	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	RMB'000
					(Note a)		(Note b)				
At 1 January 2021 (audited)	1	1,550	30,115	6	(21,030)	-	27,064	209,975	247,681	2,853	250,534
Profit (loss) for the period	-	-	-	-	-	-	-	120,028	120,028	(698)	119,330
Other comprehensive expense for the period	-	-	-	(168)	-	-	-	-	(168)	(23)	(191)
Total comprehensive (expense) income for the period	-	-	-	(168)	-	-	-	120,028	119,860	(721)	119,139
Dividends recognised as distribution (Note 9)	-	-	-	-	-	-	-	(58,667)	(58,667)	-	(58,667)
Issue of new share by the Company upon share offer in the listing (as detailed in Note 20)	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
At 1 January 2022 (audited)	2	2,465,311	30,115	(18,199)	(21,030)	7,097	30,430	240,035	2,733,761	1,498	2,735,259
Profit (loss) for the period	-	-	-	-	-	-	-	89,566	89,566	(231)	89,335
Other comprehensive income for the period	-	-	-	54,200	-	-	-	-	54,200	15	54,215
Total comprehensive income (expense) for the period	-	-	-	54,200	-	-	-	89,566	143,766	(216)	143,550
Dividends recognised as distribution (Note 9)	-	-	-	-	-	-	-	(73,733)	(73,733)	-	(73,733)
Reversal of share-based payments (Note 21)	-	-	-	-	-	(148)	-	-	(148)	-	(148)
At 30 June 2022 (unaudited)	2	2,465,311	30,115	36,001	(21,030)	6,949	30,430	255,868	2,803,646	1,282	2,804,928

Notes:

- (a) The amounts represented the difference between the acquisition considerations of group entities comprising the Group under group reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited 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 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating cash flows before movements in working capital	110,840	161,122
Decrease in inventories	175,081	172,991
(Increase) decrease in trade and other receivables	(50,786)	1,443
Increase in amounts due from related parties	(117,126)	(108,526)
(Decrease) increase in trade and other payables	(116,696)	14,766
Decrease in contract liabilities	(131,160)	(428,520)
Decrease in amounts due to related parties	(12,230)	(42,780)
Cash used in operations	(142,077)	(229,504)
Income tax paid	(30,306)	(89,030)
Net cash used in operating activities	(172,383)	(318,534)
Placement of time deposits	(5,265,088)	(910,000)
Purchase of financial assets at FVTPL	(277,700)	(656,000)
Purchase of financial assets at amortised cost	(228,592)	–
Purchase and deposits paid for acquisition of property, plant and equipment	(5,863)	(24,908)
Payment for leasehold lands	(200)	–
Proceeds on disposal of property, plant and equipment	3	31
Receipt of investment income from financial assets at FVTPL	4,441	2,344
Bank interest income received	17,295	7,620
Proceeds on disposal of financial assets at FVTPL	220,000	606,000
Withdrawal of time deposits	4,663,292	–
Net cash used in investing activities	(872,412)	(974,913)
Dividends paid	(73,733)	(58,667)
Repayments of lease liabilities	(3,078)	(1,850)
Finance costs paid	(410)	(1,209)
Share issue cost paid	–	(3,467)
Repayments of bank borrowing	–	(300,000)
Repayment to a related party	–	(9,918)
Proceeds from issue of shares	–	2,463,762
Net cash (used in) from financing activities	(77,221)	2,088,651
Net (decrease) increase in cash and cash equivalents	(1,122,016)	795,204
Cash and cash equivalents at the beginning of the period	1,952,827	884,766
Effect of foreign exchange rate changes	50,515	(3,020)
	881,326	1,676,950
Cash and cash equivalents at the end of the period, represented by		
Bank balances and cash	631,326	1,676,950
Time deposits with maturity of three months or less	250,000	–
	881,326	1,676,950



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. 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 of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

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 2022

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue by types of products		
Household care (Note i)	941,996	1,171,717
Personal care	44,343	71,615
Pet products	32,065	26,150
Others (Note ii)	3,231	2,423
Total	1,021,635	1,271,905
Timing of revenue recognition		
At a point in time	1,021,635	1,271,905

Notes:

- (i) Household care included household insecticides and repellents, household cleaning and air care products.
- (ii) Others included 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 2022, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB37,906,000 (unaudited) (31 December 2021: RMB169,066,000 (audited)). The amounts were equivalent to the contract liabilities as at 30 June 2022 and 31 December 2021, 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 2022 and 31 December 2021 will be recognised as revenue within next twelve months.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. 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	
	2022	2021
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Customer A (Note)	150,336	216,017

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Losses on disposal of property, plant and equipment	(51)	–
Donations	(2,371)	(117)
Foreign exchange losses, net	(1,527)	(6,504)
Gain on fair value changes of a financial asset at FVTPL	10,624	–
	6,675	(6,621)

5. SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs	34,529	47,960
Promotion expenses	42,483	75,627
E-commerce channel promotion expenses	64,358	97,539
Advertising service expenses	38,278	31,294
Transportation and storage expenses	51,292	59,092
Marketing expenses	7,254	7,055
Others	338	2,437
	238,532	321,004



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expense on lease liabilities	410	346
Interest expense on bank borrowing	–	863
	410	1,209

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current tax	48,985	51,204
Deferred tax (Note 13)	(15,460)	(18,313)
	33,525	32,891

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap 22 of the Cayman Islands and is exempted from the Cayman Islands income tax.

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

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. As at 30 June 2022 and up to the date of issuance of the condensed consolidated financial statements, Anfu Cheerwin is still in progress of applying for New and Hi-Tech Enterprise in 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	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	6,321	10,507
Other staff costs:		
– Salaries and other allowances	63,914	79,021
– Contributions to retirement benefits scheme	5,611	2,755
	75,846	92,283
Depreciation of property, plant and equipment	12,370	12,163
Depreciation of right-of-use assets	3,352	2,157
Total depreciation	15,722	14,320
Less: capitalised in inventories	(2,720)	(3,800)
	13,002	10,520
Auditor's remuneration	1,420	1,960
Cost of inventories recognises as an expense (Note ii)	621,248	711,616

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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Staff costs included in cost of inventories	7,580	10,504
Selling and distribution expenses	34,529	47,960
Administrative expenses	33,737	33,819
	75,846	92,283

- (ii) Amount included allowance for inventories of approximately RMB4,000 (unaudited) (six months ended 30 June 2021: RMB2,301,000 (unaudited)).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

9. DIVIDENDS

During the current interim period, a final dividend of RMB0.0553 per ordinary share (equivalent to HK\$0.0680 per ordinary share) in respect of the year ended 31 December 2021 (six months ended 30 June 2021: RMB0.044 per ordinary share (equivalent to HK\$0.0524 per ordinary share) in respect of the year ended 31 December 2020) 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 RMB73,733,000 (six months ended 30 June 2021: RMB58,667,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.0168 per ordinary share (equivalent to HK\$0.0192 per ordinary share) amounting to RMB22,400,000 in aggregate (six months ended 30 June 2021: nil) will be paid to owners of the Company whose names appear in the Register of Members on 20 September 2022.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	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)	89,566	120,028
	No. of Shares	No. of Shares
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,333,334	1,206,262

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares since the grant date of those share options during the six months ended 30 June 2022.

No diluted earnings per share is presented for the six months ended 30 June 2021 as there was no dilutive potential ordinary shares outstanding as at 30 June 2021 and during the six months ended 30 June 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB5,176,000 (unaudited) (six months ended 30 June 2021: RMB21,093,000 (unaudited)) on the acquisition of property, plant and equipment.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Unlisted investment		
Financial assets at FVTPL	135,224	66,900

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

During the year ended 31 December 2021, the Group invested in 3.2% equity interest in a private entity established in the PRC at a consideration of approximately RMB66,900,000. As at 30 June 2022, the fair value of the investment amounted to approximately RMB77,524,000 (31 December 2021: RMB66,900,000), a fair value gain of approximately RMB10,624,000 was recognised in profit or loss for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

In April 2022, the Group invested in 30% equity interest in a private entity established in the PRC (the "Investee") at a cash consideration of approximately RMB57,700,000. The Group has the power to appoint one out of the three directors of the Investee under the Article of Association of the Investee and has significant influence over the operating and financing activities of the Investee. According to the investment agreement, under certain circumstances, the Group has the right to request the Investee and its controlling shareholder to buy back the 30% equity interest at the original investment amount plus a fixed return of 8% interest per annum. Due to the existence of redemption right, the investment in the Investee was accounted for as a financial asset at FVTPL. As the investment in the Investee was made close to the end of the reporting period, the change in fair value of the investment is considered insignificant.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. DEFERRED TAX ASSETS AND LIABILITIES

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

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Deferred tax assets	72,250	54,134
Deferred tax liabilities	(2,656)	–
	69,594	54,134

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

	Accrued sales rebates RMB'000	Unrealised profit on inventories RMB'000	Unrealised profit on financial assets at FVTPL RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021 (audited)	30,193	7,120	–	–	37,313
Credited (charged) to profit or loss	16,904	(121)	–	38	16,821
At 31 December 2021 (audited)	47,097	6,999	–	38	54,134
Credited (charged) to profit or loss	17,208	469	(2,656)	439	15,460
At 30 June 2022 (unaudited)	64,305	7,468	(2,656)	477	69,594



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade receivables	51,859	6,663
Less: Allowance for credit losses	(2,196)	(546)
	49,663	6,117
Prepayments for purchase of raw materials	7,965	9,434
Prepaid promotion service expenses	17,567	6,630
Other tax recoverables	27,793	32,027
Receivables from payment intermediaries (Note a)	721	1,268
Other receivables (Note b)	16,145	15,520
	119,854	70,996

Notes:

- (a) 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.
- (b) Other receivables represent advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and repayable in 12 months.

Trade receivables

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

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 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within 30 days	36,662	4,460
31 – 60 days	12,873	1,657
61 – 90 days	55	–
91 – 120 days	73	–
	49,663	6,117

As at 30 June 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately RMB13,001,000 (unaudited) (31 December 2021: RMB1,657,000 (audited)) which are past due as at the reporting date. In particular, for trade receivable past due as at 30 June 2022, carrying amount of approximately RMB11,513,000 (unaudited) (31 December 2021: RMB1,341,000 (audited)) is due from one single customer. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable considering factors such as historical settlement patterns from and on-going business relationship with this customer. The entire balance has been fully settled subsequently.

As at 31 December 2021, the Group considered trade receivables with gross amount of approximately RMB278,000 (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 2022, the Group recognised credit loss allowance of approximately RMB1,928,000 (unaudited) (six months ended 30 June 2021: RMB918,000 (unaudited)) for trade receivables.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. AMOUNTS DUE FROM (TO) RELATED PARTIES

Amounts due from related parties

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade nature (Notes a & b)		
– Guangzhou Liby Group Company Limited	62,004	–
– Guangdong Liby Washing Products Company Limited	34,904	6,517
– Shanghai Liby Shiye Company Limited	26,611	2,735
– Tianjin Liby Product Sales Company Limited	10	1,930
– Chengdu Liby Shiye Company Limited	2,705	–
– Nanjing Liby Rihua Company Limited	2,171	84
– Guangzhou Liby (Panyu) Company Limited	–	8
– Guangzhou Zhi Yun COGI bio-technology Company Limited	1	–
	128,406	11,274
Trade related prepayments (Note a)		
– Guangzhou Zhanze Property Management Company Limited	282	288
	128,688	11,562

Notes:

- (a) These entities have been identified as related parties of the Group as they are under the common control by the controlling shareholders of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. AMOUNTS DUE FROM (TO) RELATED PARTIES (Continued)

Amounts due from related parties (Continued)

Notes: (Continued)

- (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 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within 45 days	81,346	11,266
46 – 90 days	40,181	–
91 – 135 days	1,594	8
136 – 180 days	5,285	–
	128,406	11,274

As at 30 June 2022, included in the Group's trade related balances with related parties approximately RMB47,060,000 (unaudited) (31 December 2021: RMB8,000 (audited)) were past due as at the reporting date. Out of the past due balances as at 30 June 2022 was RMB5,285,000 (unaudited) (31 December 2021: nil (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.

Amounts due to related parties

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade nature (Note a)		
– Guangzhou Liby Group Company Limited	19,100	37,807
– Xinxiang Liby Shiye Company Limited	11,503	10,801
– Guangzhou Liby (Panyu) Company Limited	11,578	9,590
– Maanshan Liby Rihua Company Limited	11,879	9,049
– Siping Liby Rihua Company Limited	5,122	3,987
– Liby Rihua Company Limited	480	2,822
– Sichuan Liby Shiye Company Limited	4,869	2,219
– Shanghai New COGI Cosmetic Co., Ltd.	4	–
– Guangzhou Zhi Yun COGI bio-technology Company Limited	–	490
	64,535	76,765

Note:

- (a) These entities have been identified as related parties of the Group as they are under the common control by the controlling shareholders of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. AMOUNTS DUE FROM (TO) RELATED PARTIES (Continued)

Amounts due to related parties (Continued)

Note: (Continued)

(a) (Continued)

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 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within 30 days	48,457	38,282
31 – 60 days	3,345	9,066
61 – 90 days	3,183	2,942
91 – 180 days	9,550	8,825
181 – 365 days	–	17,650
	64,535	76,765

16. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade payables	129,065	216,133
Accrued sales rebates (Note)	104,145	127,087
Other accrued expenses	27,157	24,626
Accrued staff payroll and welfare	21,408	30,279
Construction costs payables	1,166	1,283
Other tax payables	9,631	11,573
Other payables	4,522	2,653
Accrued issued costs and listing expenses	1,922	5,895
	299,016	419,529

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. TRADE AND OTHER PAYABLES (Continued)

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 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within 30 days	77,758	123,941
31 – 60 days	14,211	55,125
61 – 90 days	15,448	19,456
Over 90 days	21,648	17,611
	129,065	216,133

17. CONTRACT LIABILITIES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Receipts in advances from customers		
– finished goods	37,906	169,066

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Other investments	228,592	–

As at 30 June 2022, other investments include i) bond of US\$20,000,000 (unaudited) (equivalent to RMB134,585,000 issued by a private company incorporated in HK. The bond carries interest at 3% per annum and due in November 2022; ii) asset management plans of US\$14,000,000 (equivalent to RMB94,007,000) with fixed interest rate at 2.5% per annum. The asset management plans are with fixed period of one month and redeemable anytime at the Group's request upon the one month fixed period.

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

19. TIME DEPOSITS

As at 30 June 2022, time deposits of approximately RMB1,567,125,000 (unaudited) (31 December 2021: RMB715,329,000 (audited)) were denominated in RMB and carried fixed-rates ranging from 1.125% to 4.13% (31 December 2021: 2.31% to 3.78%) per annum.

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Time deposits with maturity of three months or less	250,000	605,329
Time deposits with maturity of more than three months but less than one year	1,317,125	110,000
	1,567,125	715,329
Presented as:		
Current	1,567,125	715,329
Non-current	–	–
	1,567,125	715,329



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For the six months ended 30 June 2022

20. SHARE CAPITAL

	Par value	Number of shares	Share capital USD	Presented as RMB'000
Authorised:				
At 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 31 December 2021 (audited) and 30 June 2022 (unaudited)	USD0.0000002	250,000,000,000	50,000	
Issued and fully paid:				
At 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 31 December 2021 (audited) and 30 June 2022 (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 authorized 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.



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21. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme

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

The table below discloses movement of the Scheme:

	Number of share options
Outstanding as at 1 January 2022	19,800,000
Forfeited during the period	(5,400,000)
Outstanding as at 30 June 2022	14,400,000

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

During the six months ended 30 June 2022, the Group concluded that portion of the share awards related to Share Award Scheme were not probable to be vested because the performance target relating to current year was not probable to be met. Accordingly, RMB4,167,000 (six months ended 30 June 2021: nil) of cumulative cost recognised in prior periods was reversed, resulting in net impact of RMB156,000 reversed in profit and loss during the current period.

Share Option Scheme

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

During the six months ended 30 June 2022, the Group concluded that portion of the share options related to Share Option Scheme were not probable to be vested because the performance target relating to current year was not probable to be met. Accordingly, RMB456,000 (six months ended 30 June 2021: nil) of cumulative cost recognised in prior periods was reversed. Aggregate share-based payment expenses amounted to approximately RMB8,000 (six months ended 30 June 2021: nil) was recognised under the Share Option Scheme.

During the six months ended 30 June 2022, 600,000 (six months ended 30 June 2021: nil) of share options were forfeited and no shares were vested for both periods.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

22. CAPITAL COMMITMENTS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 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	8,460	8,162

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 categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial asset at FVTPL	77,524	66,900	Level 3	Market approach—the option pricing model ("OPM") backsolve approach was used to calculate the implied equity value of the investee. Once an overall equity value was determined, amounts were allocated to the various classed of equity based on the security class preferences. The inputs to the OPM backsolve approach are the recent transaction price for capital structure, probability of IPO, redemption and liquidation, The risk-free interest rate and Expected volatility.	Expected Volatility of 35.29% (31 December 2021: 39.59%), determined by reference to the expected volatility of comparable companies. (Note)
Financial asset at FVTPL	57,700	–	Level 2	The fair value of unlisted equity investment is determined with reference to the recent transaction price of the investment.	N/A

Note: If the expected volatility of the comparable companies had been 5% higher/lower while all other variables were held constant, the Group's fair value of financial assets at FVTPL as at 30 June 2022 would have increased/decreased by approximately RMB3,000 (31 December 2021: RMB92,750).

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

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales to related parties (Note)		
– Guangzhou Liby Group Company Limited	62,553	99,615
– Guangdong Liby Washing Products Company Limited	55,878	64,055
– Shanghai Liby Shiye Company Limited	24,850	30,238
– Tianjin Liby Product Sales Company Limited	31	12,818
– Guangzhou Liby (Panyu) Company Limited	700	1,752
– Xinxiang Liby Shiye Company Limited	53	212
– Maanshan Liby Rihua Company Limited	247	1,028
– Chengdu Liby Shiye Company Limited	3,964	3,536
– Nanjing Liby Rihua Company Limited	2,047	2,462
– Liby Rihua Company Limited	13	301
	150,336	216,017
Purchase from related parties (Note)		
– Guangzhou Liby Group Company Limited	138	22
– Xinxiang Liby Shiye Company Limited	22,424	22,855
– Guangzhou Liby (Panyu) Company Limited	23,254	20,422
– Maanshan Liby Rihua Company Limited	19,831	24,685
– Siping Liby Rihua Company Limited	6,930	5,923
– Liby Rihua Company Limited	1,165	8,138
– Shanghai New COGI Cosmetic Co., Ltd.	2	1,381
– Sichuan Liby Shiye Company Limited	7,114	5,403
	80,858	88,829



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For the six months ended 30 June 2022

24. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales support service expenses (Note)		
– Guangzhou Liby Group Company Limited	13,450	16,000
Warehousing service expenses (Note)		
– Guangzhou Liby Group Company Limited	4,500	4,250
IT service expenses (Note)		
– Guangzhou Liby Group Company Limited	1,150	1,150
Expenses relating to short-term leases (Note)		
– Shanghai New COGI Cosmetic Co., Ltd.	207	212
– Liby Rihua Company Limited	–	18
	207	230
Payment of lease liabilities (Note)		
– Guangzhou Liby Group Company Limited	1,638	1,164
– Guangzhou Liby (Panyu) Company Limited	1,013	1,013
	2,651	2,177
Property management expenses (Note)		
– Guangzhou Zhanze Property Management Company Limited	634	395

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

(b) Compensation of key management personnel

The remuneration of directors, being the key management of the Company is set out in Note 8.