CHEERWIN

朝雲集團有限公司

Cheerwin Group Limited

(Incorporated in the Cayman Islands with limited liability)

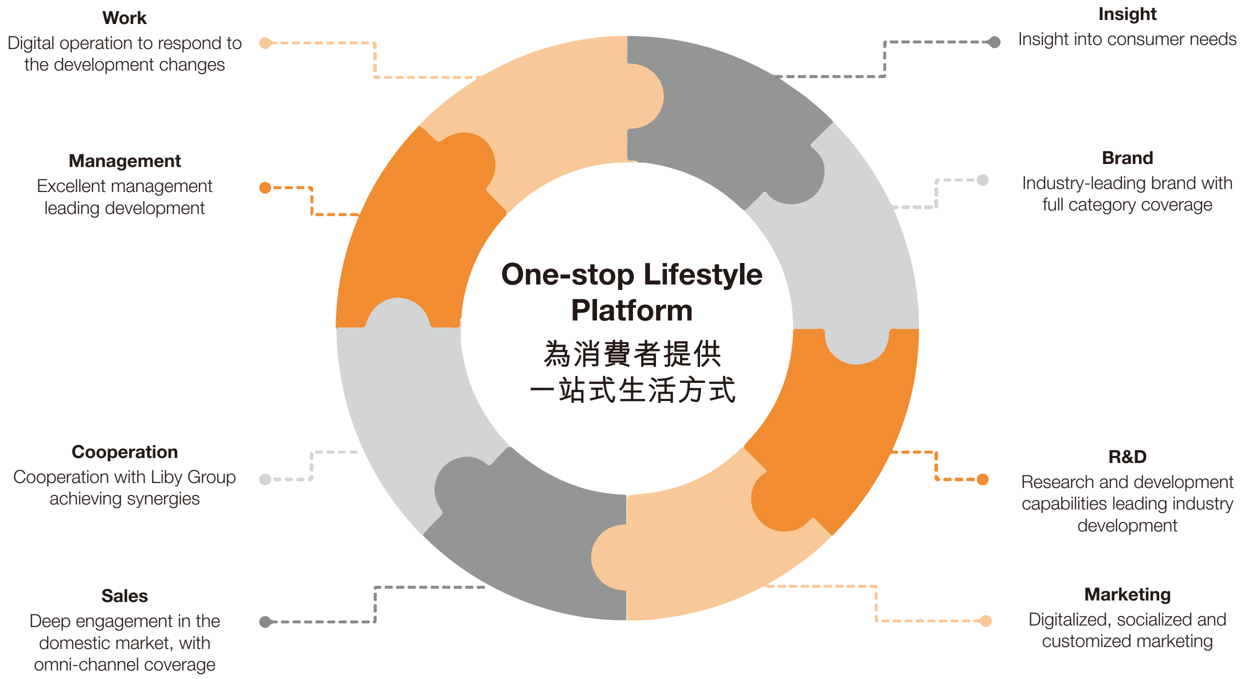
Stock Code: 6601

CONTENTS

COMPANY INTRODUCTION

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

We are committed to providing consumers with a one-stop lifestyle offering through our focus on the eight pillars to underpin our 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Chen Zexing

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

COMPLIANCE ADVISOR

FUTEC Financial Limited
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon, Hong Kong

LEGAL ADVISOR

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

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

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

STOCK CODE

6601

COMPANY'S WEBSITE

www.cheerwin.com

LISTING DATE

10 March 2021

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenues	1,350,073	1,383,402	1,702,154	1,769,157	**1,442,194**
Gross profit	502,125	599,860	742,582	787,426	**599,808**
Profit before tax	241,562	232,216	293,332	120,289	**85,048**
Profit for the year	177,035	184,360	232,909	90,765	**64,085**
Adjusted profit for the year#	188,456	197,660	261,623	103,755	**67,640**
Earnings per share					
– Basic (RMB cents)	17.88	18.70	22.49	7.25	**4.85**

Adjusted for one-time charity donations and listing expenses.

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets					
Non-current assets	150,144	191,246	210,157	318,967	**417,853**
Current assets	862,361	1,034,632	1,398,268	3,103,683	**3,155,075**
Total assets	1,012,505	1,225,878	1,608,425	3,422,650	**3,572,928**
Equity and liabilities					
Equity attributable to owners of the Company	125,771	13,234	247,681	2,733,761	**2,812,473**
Non-controlling interests	–	696	2,853	1,498	**7,297**
Total equity	125,771	13,930	250,534	2,735,259	**2,819,770**
Non-current liabilities	2,833	6,880	5,096	9,392	**18,682**
Current liabilities	883,901	1,205,068	1,352,795	677,999	**734,476**
Total liabilities	886,734	1,211,948	1,357,891	687,391	**753,158**
Total equity and liabilities	1,012,505	1,225,878	1,608,425	3,422,650	**3,572,928**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present our annual results for the year ended 31 December 2022.

In 2022, various uncontrollable factors such as of the pandemic and extreme weather 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 factors such as reduced passenger flow, marketing activities and constraints on supply of goods, the expansion of distribution 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 pandemic 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 in 2022, being our leading product category; 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 2022, the Group recorded revenue of RMB1,442.2 million, representing a decrease of 18.5%; the Group's gross profit margin was 41.6%, representing a decrease of 2.9 percentage points; the Group's net profit was RMB64.1 million, representing a decrease of 29.4%. On the other hand, during the reporting period, the Group has adopted effective cost management strategies throughout the product cycle from production, logistics and distribution, and has implemented stringent financial management policies to mitigate potential financial risks. As a result, in 2022, the Group recorded selling and distribution expenses of RMB435.3 million, representing a decrease of 17.3%; whereas the administrative expenses was RMB163.8 million, representing a decrease of 8.5%.

The breakdown of revenue by product categories are as follows:

- For the pet products category, revenue for the year ended 31 December 2022 was RMB76.9 million, representing an increase of 46.1% as compared to the year ended 31 December 2021;

- For the household care products category, which includes household repellent and insecticide products, household cleaning and air care products, revenue for the year ended 31 December 2022 was RMB1,296.9 million, representing a decrease of 19.4% as compared to the year ended 31 December 2021; and

- For the personal care products category, revenue for the year ended 31 December 2022 was RMB64.3 million, representing a decrease of 36.2% as compared to the year ended 31 December 2021.

The breakdown of revenue by sales channels are as follows:

- For online channels, revenue for the year ended 31 December 2022 was RMB496.5 million, representing an increase of 16.4% as compared to the year ended 31 December 2021; and

- For offline channels, which comprises offline distributors, retail channel (Liby Channel) corporate and institutional customers, overseas distributors and OEM business, revenue for the year ended 31 December 2022 was RMB945.7 million, representing a decrease of 29.6% as compared to the year ended 31 December 2021.

IN 2022, THE FOLLOWING EFFECTIVE MEASURES WERE IMPLEMENTED BY THE GROUP TO PROACTIVELY MITIGATE THE MARKET CHALLENGES AND MAINTAIN BUSINESS MOMENTUM:

- 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 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), Vewin Moliguojing (威王魔力果淨) high-end household cleaners series, 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 Naughty Mouth 985 staple food cans (倔強嘴巴985主食罐頭), 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.

- Offline sales 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) and shelf banners with an aim to improve the promotion efficiency of our resources input.

- Online sales channels: 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 for our pet product business, we have organized an offline sale team and expanded the distribution of pet products.

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

The Group has continued to promote its brands and products with marketing strategies of digitalization, socialisation and personalization. We have strived to offer our consumers the one-stop high quality products for household care, personal care, and pet categories, and have been recognised and well received by our consumers. In particular, NielsenIQ retail market data showed that the Group’s household insecticides and repellents products ranked first in China in terms of comprehensive market share of similar products for eight consecutive years from 2015 to 2022.

BUSINESS OUTLOOK

In 2023, the Group will continue to strengthen the multi-brand, multi-category and full-channel strategy, together with our product innovation and upgrading, form a technological shield, continue to create competitive products in various categories and channels, and improve channel profitability. In addition, the Group will also strive to develop full-channel sales, strengthen the distribution of high-margin products, and seize the incremental opportunities in emerging channels, such as Douyin. The Group will also establish comprehensive independent offline distribution channels for pet and personal care products to achieve the sustainable development of the Group.

Looking forward, the Group will focus in the following growth strategies:

- Expansion of household cleaning business: We will further improve the product planning of household cleaning products, accelerate the distribution and promotion of Vewin Moliguojing (威王魔力果淨) high-end household cleaners series, 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;

- 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;

- Further in-depth development of offline channels: We will optimize and reform the organizational structure of the offline sales system. We will continue to promote product distribution and expansion and further consolidate the leading position of offline distribution channels;

- 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; improve the overall input-output ratio, and improve the profitability of various channels and categories; focus on the expansion of top-selling and high-margin products, we strive to optimize our cost ratio, improve the overall input-output ratio and enhance the profitability of each channel and category;

- 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 domestic and foreign pet and fast-moving consumer goods (FMCG) industries, speed up the pace of merger and acquisition, and target quality projects with stable cash flow, clear profit model and business development space;

- Expansion to upstream research and development business segment: We plan to further strengthen the Group's ability to incubate signature products in multi-category by expanding our reach to the upstream scientific and technological research business segment through acquisitions if such appropriate acquisition target is identified, with an aim to shorten the research and development cycle of our potential cosmetic products, maternal and infant care, personal care and pet categories; and

- Implementation of dividend policy: A high-proportion and stable annual dividend policy to maximize shareholders' returns.

Chen Danxia
Chairman and Chief Executive Officer
Hong Kong, 24 March 2023

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 18.5% from RMB1,769.2 million for the year ended 31 December 2021 to RMB1,442.2 million for the year ended 31 December 2022. The decrease in our revenue was caused by various uncontrollable factors such as resurgence of the pandemic and extreme weather, 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

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Household Care[1]	**1,296,901**	**89.9**	1,608,309	90.9
Personal Care	**64,283**	**4.5**	100,817	5.7
Pet Products	**76,943**	**5.3**	52,662	3.0
Others[2]	**4,067**	**0.3**	7,369	0.4
Total	**1,442,194**	**100.0**	1,769,157	100.0

Notes:

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

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

Our revenue from household care products decreased by 19.4% from RMB1,608.3 million for the year ended 31 December 2021 to RMB1,296.9 million for the year ended 31 December 2022.

Our revenue from personal care products decreased by 36.2% from RMB100.8 million for the year ended 31 December 2021 to RMB64.3 million for the year ended 31 December 2022.

Our revenue from pet products increased by 46.1% from RMB52.7 million for the year ended 31 December 2021 to RMB76.9 million for the year ended 31 December 2022.

Revenue by sales channel

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Online Channels[(1)]	496,529	34.4	426,618	24.1
Offline Channels[(2)]	945,665	65.6	1,342,539	75.9
Total	1,442,194	100.0	1,769,157	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 16.4% from RMB426.6 million for the year ended 31 December 2021 to RMB496.5 million for the year ended 31 December 2022.

Revenue from offline channels decreased by 29.6% from RMB1,342.5 million for the year ended 31 December 2021 to RMB945.7 million for the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 23.8% from RMB787.4 million for the year ended 31 December 2021 to RMB599.8 million for the year ended 31 December 2022. Our overall gross profit margin remained has slightly decreased from 44.5% for the year ended 31 December 2021 to 41.6% for the year ended 31 December 2022.

Gross profit and gross profit margin by product categories

	Year ended 31 December			
	2022		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%
Household Care[(1)]	542,900	41.9	705,717	43.9
Personal Care	23,412	36.4	48,523	48.1
Pet Products	34,013	44.2	30,570	58.0
Others[(2)]	(517)	(12.7)	2,616	35.5
Total	599,808	41.6	787,426	44.5

Notes:

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

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

With respect to the gross profit margin, primarily due to global turbulence and the epidemic, the continuous rise in the prices of raw materials and packaging materials, coupled with the impact of changes in the Company's business structure, which has also boosted up the Company's production costs in the year ended 31 December 2022, in particular:

Our gross profit of household care products for the year ended 31 December 2022 was RMB542.9 million, whereas the gross profit margin has decreased from 43.9% for the year ended 31 December 2021 to 41.9% for the year ended 31 December 2022.

Our gross profit of personal care products for the year ended 31 December 2022 was RMB23.4 million, whereas the gross profit margin has decreased from 48.1% for the year ended 31 December 2021 to 36.4% for the year ended 31 December 2022.

Our gross profit of pet products for the year ended 31 December 2022 was RMB34.0 million, whereas the gross profit margin has decreased from 58.0% for the year ended 31 December 2021 to 44.2% for the year ended 31 December 2022.

Gross profit and gross profit margin by sales channels

	Year ended 31 December			
	2022		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%
Online Channels(1)	**233,465**	**47.0**	221,097	51.8
Offline Channels(2)	**366,343**	**38.7**	566,329	42.2
Total	**599,808**	**41.6**	787,426	44.5

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 year ended 31 December 2022 was RMB233.5 million, whereas the gross profit margin has decreased from 51.8% for the year ended 31 December 2021 to 47.0% for the year ended 31 December 2022.

Our gross profit of offline channels for the year ended 31 December 2022 was RMB366.3 million, whereas the gross profit margin has decreased from 42.2% for the year ended 31 December 2021 to 38.7% for the year ended 31 December 2022.

Other Income

Our other income increased by 16.0% from RMB65.5 million for the year ended 31 December 2021 to RMB76.0 million for the year ended 31 December 2022 primarily due to increase in bank interests over the same period. Our other income as a percentage of our total revenue increased from 3.7% for the year ended 31 December 2021 to 5.3% for the year ended 31 December 2022.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 17.3% from RMB526.4 million for the year ended 31 December 2021 to RMB435.3 million for the year ended 31 December 2022, primarily attributable to the improvement in the efficiency of the Company's sales management and the decline in the overall revenue scale.

Administrative Expenses

Our administrative expenses decreased by 8.5% from RMB179.0 million for the year ended 31 December 2021 to RMB163.8 million for the year ended 31 December 2022, partially attributable to the improvement in the efficiency of the Company's management.

Other Gains and Losses

We recorded other gains of RMB9.8 million for the year ended 31 December 2022, as compared to other losses of RMB15.9 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) and Wuhan Zhongbo Lvya Biotechnology Limited (武漢中博綠亞生物科技有限公司).

Finance Costs

Our finance costs decreased from RMB1.6 million for the year ended 31 December 2021 to RMB0.9 million for the year ended 31 December 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 tax decreased by 29.3% from RMB120.3 million for the year ended 31 December 2021 to RMB85.0 million for the year ended 31 December 2022.

Income Tax Expense

Our income tax expense decreased by 29.0% from RMB29.5 million for the year ended 31 December 2021 to RMB21.0 million for the year ended 31 December 2022, primarily due to the decrease in our net profit. Our effective tax rate remained relatively stable at 24.5% and 24.6%, respectively, for the year ended 31 December 2021 and 2022, which are lower than the PRC statutory income tax rate of 25% primarily because one of our subsidiaries enjoyed a preferential income tax rate of 15% since 2019 and is a qualified high-tech enterprise.

Profit for the Year

As a result of the foregoing, our profit decreased by 29.4% from RMB90.8 million for the year ended 31 December 2021 to RMB64.1 million for the year ended 31 December 2022. Our net profit margin decreased slightly from 5.1% for the year ended 31 December 2021 to 4.4% for the year ended 31 December 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.

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 year or period. The following table reconciles profit for the years under IFRSs to adjusted net profit for the years indicated:

	For the year ended 31 December 2022	
	2022	2021
	RMB'000	RMB'000
Profit for the year	**64,085**	90,765
Adjustments for:		
One-time charity donations	**3,555**	2,960
Listing expenses	**–**	10,030
Adjusted net profit	**67,640**	103,755

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 inflow for the year ended 31 December 2022 was RMB66.8 million, as compared to net operating cash outflow of RMB191.9 million for the year ended 31 December 2021, resulting from our profit before tax of RMB85.0 million, adjustment of non-cash and non-operating items, movements in working capital, and income tax paid.

Capital Expenditures

Our capital expenditures decreased from RMB58.0 million for the year ended 31 December 2021 to RMB24.7 million for the year ended 31 December 2022. Our capital expenditures were used primarily for the purchase of property, plant and equipment, and right-of-use assets. We financed our capital expenditures primarily through our cash generated from our operating activities.

Financial Position

Historically, we funded our operations primarily with net cash generated from our business operations. After the global offering of the Company (the "**Global Offering**"), we intend to finance our future capital requirements through the same sources of funds above, together with the net proceeds we received from the Global Offering.

As at 31 December 2022, we had RMB2,359.5 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 0.6% as at 31 December 2022, primarily due to the increase of right-of-use assets and lease liabilities.

Significant Investments Held

The Group maintains a portfolio of investments which generate steady income with potential of capital appreciation. Save as the subscription of the short-term interest-bearing instruments of indebtedness issued by Zhongtai Financial International Limited (中泰金融國際有限公司) as set out in the announcement of the Company dated 25 November 2022, the Group did not hold other significant investments for the year ended 31 December 2022 which constitutes a fair value of 5% or above of the total assets of the Group as at 31 December 2022.

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

For the year ended 31 December 2022, the Group did not conduct any material acquisitions or disposals.

The Group plans to further strengthen the Group's competitiveness by expanding our reach to the upstream scientific and technological research business segment through acquisitions if such appropriate acquisition target is identified, with an aim to shorten the research and development cycle of our potential new products. Such acquisitions are expected to be financed by the Group's internal resources.

Save for the expansion plans as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 26 February 2021 (the "**Prospectus**") and in the Annual Report, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses.

Exposure to Fluctuations in Exchange Rates

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

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Human Resources

As at 31 December 2022, the number of employees of the Group was 904 as compared to 873 as at 31 December 2021. The total cost of staff, including basic salary and wages, social insurance and bonus, for the year ended 31 December 2022 was RMB156.0 million as compared to RMB166.0 million for the same period in 2021. The decrease was mainly attributable to the impact of a decline in business performance in 2022, and the Company did not pay incentive bonuses to employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Ms. Chen Danxia (陳丹霞), aged 43, is an executive Director, the chairman of our Board and the Chief Executive Officer of our Company. She was appointed as the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**") in February 2021. She has more than 16 years of experience in the consumer goods industry. With her extensive experience in operation management and corporate strategic development in the consumer goods and cosmetic products industry, she is principally responsible for overseeing the overall management and business operation and formulating strategies and operational plans of our Group. Ms. Chen holds directorships and/or other positions in our major operating subsidiaries including Guangzhou Cheerwin Holding Company Limited (the "**Guangzhou Cheerwin**"), Guangzhou Cheerwin Biotechnology Company Limited (the "**Cheerwin Biotechnology**"), Guangzhou Cheerwin Household Chemicals Company Limited (the "**Panyu Cheerwin**"), Anfu Cheerwin Rihua Limited Company (the "**Anfu Cheerwin**"), Guangzhou Yuncheng Network Technology Company Limited (the "**Guangzhou Yuncheng**"), Guangzhou Leda Automobile Supplies Company Limited (the "**Leda Automobile**"), Shanghai Runzhisu Biotechnology Company Limited (the "**Shanghai Runzhisu**"), Guangzhou Tongli Daily Suppliers Company Limited (the "**Guangzhou Tongli**"), Shanghai Cheerwin Biotechnology Company Limited (the "**Shanghai Cheerwin**"), Guangzhou Yuntuo E-commerce Company Limited (the "**Guangzhou Yuntuo**"), Chao Liu Ti (Guangzhou) Digital Market Company Limited ("**Chao Liu Ti (Guangzhou)**"), Guangzhou Chao Dong Chao Xi Electronic Commerce Company Limited ("**Guangzhou Chao Dong Chao Xi**"), Guangzhou Cheerwin Technology Company Limited (廣州朝雲科技有限公司) ("**Guangzhou Cheerwin Technology**"), Guangzhou Beibeijian Baby Product Company Limited (廣州貝貝健嬰童用品有限公司) ("**Guangzhou Beibeijian**"), and Guangzhou Chuangxingli Electronic Commerce Company Limited (廣州創星力電子商務有限公司) ("**Guangzhou Chuangxingli**").

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

Ms. Chen served as an independent non-executive director of Babytree Group, a maternity and child focused community platforms provider listed on the Stock Exchange (stock code: 1761), from November 2018 to June 2020. From February 2016 to February 2018, Ms. Chen served as a director in Baokai Daorong and from June 2008 to December 2013, Ms. Chen has served as the general manager at Shanghai New COGI Cosmetic Co., Ltd. ("**Shanghai Cogi**"). Ms. Chen as the chairman of Shanghai Cogi in her non-executive capacity since January 2014. Baokai Daorong and Shanghai Cogi are businesses owned by the Chen family. Ms. Chen has been a director at Ousia Australia Pty. Ltd since May 2009.

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

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

Mr. Xie Rusong (謝如松), aged 56, is an executive Director and our vice president, and is primarily responsible for the overall management of our Group's supply chain and in charge of our sales center, channel marketing department, pet business department, enterprise competitive strategy and new business planning and operation center, technology research and development center and supply chain operation center. Mr. Xie currently holds directorships and/or other positions in our major operating subsidiaries including Cheerwin Biotechnology, Panyu Cheerwin, Anfu Cheerwin, Guangzhou Yuncheng, Leda Automobile and Guangzhou Tongli.

Mr. Xie has more than 32 years of experience in the fast moving consumer goods industry including experience related to sales, brand management and supply chain. He served as the general manager of household business division of Guangzhou Liby from December 2008 to April 2018, and has been responsible for overseeing the overall management of the business division operating under Guangzhou Liby and its subsidiaries (the "**Liby Group**") prior to reorganization of the Group (the "**Cheerwin Business Division**") from December 2008. He was officially appointed as director and general manager of Cheerwin Biotechnology in December 2010. From March 2005 to December 2008, Mr. Xie served as the sales manager in Jiangsu Tongda Co., Ltd. (江蘇同大股份有限公司), a chemicals manufacturing company, responsible for managing the sales channels of the company. From February 1990 to December 2003, Mr. Xie worked at Shanghai Johnson Ltd. (上海莊臣有限公司), an international household chemicals company, for almost 14 years, where his last position was sales manager. From October 1987 to January 1990, Mr. Xie served as a production manager in Shanghai Duote Paper Co., Ltd. (上海多特紙品有限公司), a paper manufacturing company.

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

Mr. Zhong Xuyi (鍾胥易), aged 42, is an executive Director and our Chief Financial Officer, and is primarily responsible for overall management of finance and information technology of our Group and in charge of our investor relations management department. He currently holds other positions in our major operating subsidiaries including Cheerwin Biotechnology, Anfu Cheerwin and Panyu Cheerwin.

Mr. Zhong has more than 19 years of experience in the consumer goods industry. He joined the Liby Group in July 2003 and assumed responsibility for finance management of the Cheerwin Business Division in December 2010. His last position at Liby Group was deputy director of taxation and capital division. He was officially transferred to our Group in January 2018.

Mr. Zhong received his bachelor's degree in accounting from Guangdong University of Finance & Economics (廣東財經大學) (formerly known as Guangdong Commercial College (廣東商學院)), the PRC, in June 2003. He later obtained his master degree in accounting from Sun Yat-sen University (中山大學), the PRC, in June 2010. He also obtained certificate of completion of modern business administration course from Tsinghua University (清華大學), the PRC, in June 2007.

Mr. Zhong obtained the Certified Internal Auditor (國際註冊內部審計師) issued by The Institute of Internal Auditors (國際註冊內部審計師協會) in November 2010.

Mr. Chen Zexing (陳澤行), aged 33, joined our Company as a non-executive Director since August 2020 and as a member of audit committee of the Company (the "**Audit Committee**") in August 2021. He is primarily responsible for providing strategic advice and guidance on the business development of our Group. Mr. Chen is the son of Mr. Chen Kaixuan ("**Mr. KX Chen**") and Ms. Li Ruohong ("**Ms. Li**"), our Controlling Shareholders, and the cousin of Ms. Chen Danxia, an executive Director.

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

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

Dr. Yu Rong (俞熔), aged 51, was appointed as an independent non-executive Director of our Company and as the member of the Audit Committee, the Remuneration Committee and the Nomination Committee in October 2022. He is primarily responsible for providing independent judgment and advice to our Board. He has approximately 21 years' experience in business administration and management in the healthcare industry. He founded Meinian OneHealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) in 2004, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044) and has served as its director since then. He served as a director and the legal representative of Tianrong (Nantong) Building Materials Co., Ltd (天熔(南通)建築材料有限公司) ("**Tianrong Nantong**") from October 2005 to February 2007. Since March 2010, he has served as a director of Shenzhen Rapoo Technology Co., Limited (深圳雷柏科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002577). Since January 2016, he has served as a director of Beijing Huamei Kangxun Information Technology Co., Ltd. (北京華媒康訊信息技術股份有限公司), the shares of which are listed on the National Equities Exchange and Quotations (stock code: 872612) and is principally engaged in media sales and online and offline services in relation to media sales, namely advertising, public relations planning, conference forum, consultation, training, research, software, integrated marketing and book publishing. From November 2016 to July 2021, he served as a director of Beijing Trust & Far Technology Co., Ltd. (北京銀信長遠科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300231) and is principally engaged in providing one-stop IT overall solution for data center IT infrastructure. Since August 2021, he served as an executive director of Mega Genomics Limited (美因基因有限公司), the shares of which are listed on the main board of the Stock Exchange (stock code: 6667) and is principally engaged in consumer genetic testing and cancer screening services in China.

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

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

Mr. Guo Sheng (郭盛), aged 51, was appointed as an independent non-executive Director of our Company and as the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee in February 2021. He is primarily responsible for providing independent judgment and advice to our Board. Since October 2010, Mr. Guo has been serving as the chief executive officer in Zhaopin Limited, a recruitment platform provider that was listed on the New York Stock Exchange (stock code: ZPIN) prior to its delisting in September 2017.

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

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

Mr. Chan Wan Tsun Adrian Alan (陳弘俊), aged 44, was appointed as an independent non-executive Director of our Company and as the chairman of the Audit Committee in February 2021. He is primarily responsible for providing independent judgment and advice to our Board.

Mr. Chan has been the Regional Director (Greater China) of The CFO Centre since January 2021. He has been the chief financial officer of Sun Ray Capital Investment Corporation since July 2015. He has been the chief financial officer of LabyRx Immunologic Therapeutics Limited since July 2018 and has been the chief financial officer of Lifepans Limited since August 2018. Since 21 October 2019, Mr. Chan has been appointed as an independent non-executive director of Best Linking Group Holdings Limited (stock code: 8617), the shares of which are listed on the GEM of the Stock Exchange. From November 2011 to June 2021, he was an independent non-executive director of Grand Baoxin Auto Group Limited (stock code: 1293) an automobile dealership company listed on the Main Board of the Stock Exchange. From 2009 to June 2015, he was the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Main Board of the Stock Exchange. He has over 15 years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from July 2005 to November 2009. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from January 2002 to July 2005, the corporate finance department of DBS Vickers Securities from April 2000 to December 2001, and as auditor for a top-tier international accounting firm.

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

SENIOR MANAGEMENT

Ms. Wang Dong (王冬), aged 44, is our Chief Operating Officer, general manager of our brand management center and joint company secretary of our Company. She is primarily responsible for overseeing the overall business operation and brand management of our Group. She also serves as the general manager of brand management center in Cheerwin Biotechnology. Ms. Wang has over 20 years of experience in consumer goods industry. From December 2016 to March 2019, Ms. Wang was the general manager in Megahive Media. From June 2002 to November 2016, Ms. Wang served in Guangzhou Liby with her last position being the deputy general manager of brand management center and director of media communication division. Ms. Wang assumed responsibility for brand management of the Cheerwin Business Division in July 2012. She was officially transferred to our Group in April 2019. Ms. Wang obtained her dual bachelor's degrees in packaging engineering and business administration from Wuhan Polytechnic University (武漢輕工大學) (formerly known as Wuhan Food Industry College (武漢工業學院)), the PRC, in June 2002. In 2016, Ms. Wang was recognized as the Guangzhou Municipal March 8th Red-Banner Pacesetter (廣州市三八紅旗手) by Guangzhou Women's Federation (廣州市婦女聯合會).

Mr. Yang Yu (楊鈺), aged 39, is the general manager of our operation management center, and is primarily responsible for overseeing the operation management of our Group. He also serves as the general manager of operation management center in Cheerwin Biotechnology. Mr. Yang has over 16 years of experience in consumer goods industry. Mr. Yang previously worked in Guangzhou Liby from July 2006 to August 2018 with her last position being director of operation management division. Mr. Yang assumed responsibility of the management of finance budgeting of the Cheerwin Business Division in May 2016 before officially transferring to our Group. Mr. Yang obtained her bachelor's degree in accounting from Hunan University of Technology and Business (湖南工商大學) (formerly known as Hunan Business College (湖南商學院)), the PRC, in June 2006.

Ms. Ding Jiajia (丁嘉佳), aged 37, is the general manager of our e-commerce operation center, and is primarily responsible for overseeing the e-commerce operation of our Group. Prior to joining our Group in December 2019, Ms. Ding served in Alibaba Group Holding Limited, an e-commerce company listed on the Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock code: BABA) as an industry expert from August 2010 to November 2019. Ms. Ding obtained her bachelor's degree in animation from Zhejiang Gongshang University (浙江工商大學), the PRC, in July 2008.

Mr. Shi Xunqin (石訓勤), aged 49, is the general manager of our investment and financing center, and is primarily responsible for overseeing investment and financing related matters of our Group. From June 2018 to August 2020, Mr. Shi served as the general manager of investment and capital operation division in Kysun Holdings. From January 2015 to June 2018, Mr. Shi was the managing director in Baokai Daorong, where he was responsible for acquisition and equity investment business unit. From June 2016 to June 2018, He served as the general manager in Guangzhou Zhanze Investment Management Co., Ltd. (廣州展澤投資管理有限公司). From February 2004 to December 2014, Mr. Shi served in Guangzhou Liby with his last position being deputy general manager of financial and capital operation center. During his employment with Guangzhou Liby, Mr. Shi assumed responsibility of corporate finance matters of the Cheerwin Business Division in January 2006 before officially transferring to our Group in August 2020. Mr. Shi obtained his bachelor's degree in chemical engineering from Huaqiao University (華僑大學), the PRC, in July 1997 and obtained his master's degree in business administration from Sun Yat-sen University (中山大學), the PRC, in June 2004.

JOINT COMPANY SECRETARIES

Ms. Leung Shui Bing (梁瑞冰), is a joint company secretary of our Company. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 16 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford and a master's degree in Corporate Governance from Hong Kong Metropolitan University. She is a Chartered Secretary, Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

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

DIRECTORS' REPORT

The Board is pleased to announce the annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL BUSINESS

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2022 are set out in the Chairman's Statement on pages 5 to 8 and the Management Discussion and Analysis on pages 9 to 15 of the Annual Report. An account of the Group's key relationships with its key stakeholders is provided in the Chairman's Statement on pages 5 to 8 of the Annual Report. An analysis of the Group's performance during the year ended 31 December 2022 using financial key performance indicators is set out in the Financial Summary on page 4.

Compliance with Laws and Regulations

During the year ended 31 December 2022, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Principle Risks and Uncertainties

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For the year ended 31 December 2022, we had not received any notice or warning in relation to pollution in respect of our operation, nor had we been subject to any fines, penalties or other legal actions by government authorities resulting from any non-compliance with any environmental protection laws or regulations that had a material adverse impact on our operations and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any environmental government authorities in respect thereof.

For details of the Company's environmental policies and performance, please refer to the ESG Report of the Company for the year ended 31 December 2022 to be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cheerwin.com) according to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the transaction amounts of the Group's five largest customers accounted for 22.6% of the Group's total revenues (2021: 20.5%), while the transaction amounts of the largest customer accounted for 13.8% of the Group's total revenues (2021: 15.2%).

For the year ended 31 December 2022, the transaction amounts of the Group's five largest suppliers accounted for 44.2% of the Group's total purchases (2021: 44.7%), while the transaction amounts of the largest supplier accounted for 18.7% of the Group's total purchases (2021: 17.7%).

During the financial year ended 31 December 2022, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated financial statement on pages 65 to 140 of the Annual Report.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0220 per Share (equivalent to HK$0.0251 per Share) for the year ended 31 December 2022 (year ended 31 December 2021: RMB0.0553). The interim dividend of RMB0.0168 per Share (equivalent to HK$0.0192 per Share) was paid. Total dividend for the year amounted to RMB0.0388 per Share, representing a dividend payout ratio of approximately 80%. This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on Monday, 19 June 2023, and will be paid on or around Friday, 7 July 2023 to those Shareholders whose names appear on the Company's register of members on Monday, 26 June 2023.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Friday, 17 March 2023 to Thursday, 23 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 June 2023 to Monday, 19 June 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 13 June 2023.

The register of members of the Company will also be closed on Monday, 26 June 2023 in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders in the AGM), during which period no share transfers will be registered. To qualify for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 23 June 2023.

DIVIDEND POLICY

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

FINANCIAL SUMMARY

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

TIME DEPOSITS/BANK BALANCES AND CASH

Details of the time deposits/bank balances and cash of the Group for the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilised net amount as at 1 January 2022 (RMB million)	Actual net amount utilised for the year ended 31 December 2022 (RMB million)	Actual net amount utilised up to 31 December 2022 (RMB million)	Unutilised net amount as at 31 December 2022 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Research and development of new products, upgrade of existing products and development of new brands and categories	7.1%	171.8	154.7	18.1	35.2	136.6	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	0	0	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	0	0	65.3	Expected to be fully utilised by the end of 2026
Further develop online distribution channels	10.0%	241.9	214.5	59.2	86.6	155.3	Expected to be fully utilised by the end of 2026
Further enhance our offline distribution network	5.0%	120.9	110.9	7.1	17.1	103.8	Expected to be fully utilised by the end of 2026
Establish and optimise our overseas online and offline sales network and develop new markets	5.0%	120.9	120.9	0	0	120.9	Expected to be fully utilised by the end of 2026
Enhance our market penetration in lower-tier cities	5.0%	120.9	112.9	0.6	8.6	112.3	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	206.6	32.5	67.8	174.1	Expected to be fully utilised by the end of 2026

Item	Approximate % of total net proceeds	Net proceeds from the Global Offering (RMB million)	Unutilised net amount as at 1 January 2022 (RMB million)	Actual net amount utilised for the year ended 31 December 2022 (RMB million)	Actual net amount utilised up to 31 December 2022 (RMB million)	Unutilised net amount as at 31 December 2022 (RMB million)	Expected timeline of full utilisation of the unutilised proceeds
Establish overseas supply chain to improve our cost advantage for our overseas operations	1.5%	36.3	36.3	0	0	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	0	0	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	0	0	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	238.5	2.1	5.5	236.4	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	295.9	71.7	138.6	224.2	Expected to be fully utilised by the end of 2026
Working capital and other general corporate purposes	10.0%	241.9	241.9	0	0	241.9	Expected to be fully utilised by the end of 2026
Total	**100.0%**	**2,418.8**	**2,250.7**	**191.3**	**359.4**	**2,059.4**	

As at 31 December 2022, the remaining proceeds of approximately RMB2,059.4 million (equivalent to approximately HK$2,305.5 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 banks with Chinese-funded background as at 31 December 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2022 are set out in note 29 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Incentive Schemes" in the Annual Report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the year ended 31 December 2022 or subsisted as at 31 December 2022.

RESERVES

Details of movements in the reserves of the Company for the year ended 31 December 2022 are set out in note 39 to the consolidated financial statement of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have reserve available for distribution to shareholders.

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

For the financial year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DONATIONS

For the year ended 31 December 2022, RMB3.6 million (2021: RMB3.0 million) charitable donations were made by the Group.

DIRECTORS

During the year ended 31 December 2022 and up to date of the Annual Report, the Directors are:

Executive Director

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

Non-Executive Director

Mr. Chen Zexing

Independent Non-executive Directors

Dr. Yu Rong (appointed on 14 October 2022)
Mr. Guo Sheng
Mr. Chan Wan Tsun Adrian Alan
Dr. De-Chao Michael Yu (resigned on 14 October 2022)

In accordance with Article 84(1) of the Articles of Association, Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi, will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 83(3) of the Articles of Association, Dr. Yu Rong was appointed to fill a casual vacancy on the Board during the financial year ended 31 December 2022, and Dr. Yu Rong will retire from office and, being eligible, to offer himself for re-election at the forthcoming AGM.

The particulars of Directors who are subject to re-election at the forthcoming AGM are set out in the circular to the Shareholders of the Company dated 27 April 2023.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 21 of the Annual Report.

CHANGES TO DIRECTORS' INFORMATION

The following is updated information of the Directors and the chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(a) Dr. De-Chao Michael Yu has resigned as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 14 October 2022; and

b) Dr. Yu Rong has been appointed as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 14 October 2022.

Save as disclosed above, 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 2022 interim report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company on 19 February 2021, and the Company has issued letters of appointment to each of the non-executive Director and independent non-executive Directors. The service contracts with each of the executive Directors is for an initial fixed term of three years. The letters of appointment with each of the non-executive Director and independent non-executive Directors is for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts and the letters of appointments may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

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

EMOLUMENT POLICY

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

Details of the emoluments of the Directors and the five highest paid individuals for the year ended 31 December 2022 are set out in note 12 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 32 to the consolidated financial statements.

SHARE INCENTIVE SCHEMES

Share Option Scheme

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

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

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

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

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

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

The share options granted shall be open for acceptance for a period of seven days from the date of grant. An amount of HK$1.00 is payable upon acceptance of the grant of the share options. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the Share Option Scheme was conditionally adopted. Accordingly, as at 31 December 2022, the remaining life of the Share Option Scheme is approximately 8.5 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 year ended 31 December 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 31 December 2022 are set out below:

Name of grantee	Position held with the Company/relationship with the Company	Date of grant	No. of Shares involved in the share options outstanding as at 1 January 2022	Share options granted during the year ended 31 December 2022	Share options exercised during the year ended 31 December 2022	Share options cancelled during the year ended 31 December 2022	Share options lapsed/forfeited during the year ended 31 December 2022	No. of Shares involved in the share options outstanding as at 31 December 2022	Exercise price (HK$ per Share)[1]	Vesting date[2][3]	Exercise period
Ms. Wang Dong	Chief Operating Officer and Joint Company Secretary	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2022	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000[5]	4.33	15 April 2023	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2024	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025	10 years from date of grant
Mr. Xie Rusong	Executive Director and Vice President	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2022	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000[5]	4.33	15 April 2023	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2024	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025	10 years from date of grant
Mr. Zhong Xuyi	Executive Director and Chief Financial Officer	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2022	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000[5]	4.33	15 April 2023	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2024	7 years from date of grant
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025	10 years from date of grant
Other Employees of the Group	Employees of the Group	23 September 2021	750,000	–	–	–	(750,000)[4]	–	4.33	15 April 2022	7 years from date of grant
		23 September 2021	750,000	–	–	–	(150,000)[4]	600,000[5]	4.33	15 April 2023	7 years from date of grant
		23 September 2021	750,000	–	–	–	(150,000)[4]	600,000	4.33	15 April 2024	7 years from date of grant
		23 September 2021	750,000	–	–	–	(150,000)[4]	600,000	4.33	15 April 2025	10 years from date of grant
Total			**4,800,000**				**(1,650,000)**	**3,150,000**			

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) During the year ended 31 December 2022, 600,000 share options granted to an employee has lapsed upon his resignation.

(5) The relevant batch of share options would not be vested on 15 April 2023. The performance target as set out under Note (3) was not met, and hence the number of outstanding share options is 2,100,000 as at the date of this Annual Report.

Please refer to note 30 to the consolidated financial statements for further information of the Share Option Scheme and the value of share options granted.

Restricted Share Award Scheme

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

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

The award shares shall be open for acceptance for a period of seven days from the date of grant. An amount of HK$1.00 is payable upon acceptance of the grant of the restricted shares. The RSA Scheme shall be effective from its adoption date and shall be in full force and effect for a term of ten years or until such date of early termination as determined by the Board, whichever is the earlier. Accordingly, as at 31 December 2022, the remaining life of the RSA Scheme is approximately 8.5 years. The maximum number of award shares that may be granted under the RSA Scheme in aggregate shall be no more than 25,000,000 Shares, representing 1.87% of the total number of the issued Shares as at the date of the Annual Report, subject to the compliance of the Listing Rules, including, the requirement concerning the maintenance of the public float. Under the RSA Scheme, the last batch of the restricted shares will be vested on 15 April 2025.

Details of the share awards granted under the RSA Scheme

The grantees under the RSA Scheme are Ms. Chen Danxia, Ms. Wang Dong, Mr. Xie Rusong, Mr. Zhong Xuyi and five other employees of the Group.

Details of the movements of the restricted shares granted under the RSA Scheme as at 31 December 2022 are set out below:

Name of grantee	Position held with the Company/ relationship with the Company	Date of grant	No. of Shares involved in the share options outstanding as at 1 January 2022	Share options granted during the year ended 31 December 2022	Share options exercised during the year ended 31 December 2022	Share options cancelled during the year ended 31 December 2022	Share options lapsed/forfeited during the year ended 31 December 2022	No. of Shares involved in the share options outstanding as at 31 December 2022	Exercise price (HK$ per Share)[1]	Vesting date[2][3]
Ms. Chen Danxia	Executive Director,	23 September 2021	3,750,000	–	–	–	(3,750,000)	–	4.33	15 April 2022
	Chairman and Chief	23 September 2021	3,750,000	–	–	–	–	3,750,000[5]	4.33	15 April 2023
	Executive Officer	23 September 2021	3,750,000	–	–	–	–	3,750,000	4.33	15 April 2024
		23 September 2021	3,750,000	–	–	–	–	3,750,000	4.33	15 April 2025
Ms. Wang Dong	Chief Operating Officer	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2022
	and Joint Company	23 September 2021	150,000	–	–	–	–	150,000[5]	4.33	15 April 2023
	Secretary	23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2024
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025
Mr. Xie Rusong	Executive Director and	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2022
	Vice President	23 September 2021	150,000	–	–	–	–	150,000[5]	4.33	15 April 2023
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2024
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025
Mr. Zhong Xuyi	Executive Director and	23 September 2021	150,000	–	–	–	(150,000)	–	4.33	15 April 2022
	Chief Financial Officer	23 September 2021	150,000	–	–	–	–	150,000[5]	4.33	15 April 2023
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2024
		23 September 2021	150,000	–	–	–	–	150,000	4.33	15 April 2025
Other Employees of the Group	Employees of the Group	23 September 2021	750,000	–	–	–	(750,000)[4]	–	4.33	15 April 2022
		23 September 2021	750,000	–	–	–	(150,000)[4]	600,000[5]	4.33	15 April 2023
		23 September 2021	750,000	–	–	–	(150,000)[4]	600,000	4.33	15 April 2024
		23 September 2021	750,000	–	–	–	(150,000)[4]	600,000	4.33	15 April 2025
Total			**19,800,000**				**(5,400,000)**	**14,400,000**		

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

For the eight other Grantees, excluding Ms. Chen Danxia, the appraisal mechanism is a scoring system used to determine the Personal Attribution Ratio for each of them:

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

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

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

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

(4) During the year ended 31 December 2022, 600,000 restricted shares granted to an employee has lapsed upon his resignation.

(5) The relevant batch of restricted shares would not be vested on 15 April 2023. The performance target as set out under Note (3) was not met, and hence the number of outstanding restricted shares is 9,600,000 as at the date of this Annual Report.

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 the Annual Report, the trustees and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The trustees shall not exercise the voting rights in respect of any Shares held under the trusts including but not limited to the restricted shares.

As at the date of the Annual Report, a total number of 19,800,000 restricted shares, representing approximately 1.48% of the Shares in issue, 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. The total number of restricted shares which may be granted under the RSA Scheme is 5,200,000, representing approximately 0.39% of the total number of issued Shares (i.e. 1,333,333,500 Shares) as at the date of the Annual Report.

Further details of the RSA Scheme are set out in note 30 to the Notes to the Condensed Consolidated Financial Statements.

As provided under the transitional arrangements under the amended Chapter 17 of the Listing Rules, the Company would continue to make grants to participants eligible under the existing Share Option Scheme and RSA Scheme until refreshment or expiry of the respective existing scheme mandate, upon which the Company will be required to amend the terms of the Share Option Scheme and RSA Scheme to comply with the amended Chapter 17 of the Listing Rules and seek shareholders' approval for new scheme mandates (if applicable).

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

As at 31 December 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	3,993,500 (L)	0.30%
Xie Rusong[2]	Beneficial owner	930,500 (L)	0.07%
Zhong Xuyi[3]	Beneficial owner	450,000 (L)	0.04%

Notes:

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

(2) Mr. Xie Rusong holds 480,500 Shares and he is interested in 450,000 underlying Shares. Such underlying Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the outstanding share options granted to him under the Share Option Scheme as at 31 December 2022.

(3) Mr. Zhong Xuyi is interested in 450,000 underlying Shares. Such underlying Shares are the relevant Shares that may be allotted and issued to him upon the fully exercise of all the outstanding share options granted to him under the Share Option Scheme as at 31 December 2022.

(4) As at 31 December 2022, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 31 December 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.

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

As at 31 December 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 Director	Nature of interest	Number of Shares	Approximate percentage of interest
Ms. Ma(2)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Ms. Li(3)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
Mr. KX Chen(3)	Interest of corporation controlled/ Interest of spouse	990,000,000 (L)	74.25%
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 31 December 2022, the Company had 1,333,333,500 ordinary Shares in issue.

Save as disclosed above, as at 31 December 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.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

We set out below a summary of the connected transactions conducted/carried out by the Group for the year ended 31 December 2022.

Partially Exempt Continuing Connected Transactions

1. Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen

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

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

   The annual caps for such transactions are approximately RMB8.5 million, RMB9.3 million and RMB9.4 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2022, the total annual rent and property management fee paid or payable was RMB9.1 million without exceeding the annual cap for such transactions.

2. Ancillary Service Agreement with Liby Group

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

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

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

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

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

The annual caps for such transactions are approximately RMB35.6 million, RMB38.2 million and RMB44.7 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2022, the total service fee paid or payable was RMB38.0 million without exceeding the annual cap for such transactions.

Non-Exempt Continuing Connected Transactions

1. Sales Framework Agreement with Liby Group

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

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

The annual caps for such transactions are approximately RMB437.7 million, RMB512.0 million and RMB639.8 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2022, the total transaction amounts received or receivable was RMB199.1 million without exceeding the annual cap for such transactions.

2. Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen

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

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

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

The annual caps for such transactions are approximately RMB279.9 million, RMB337.5 million and RMB410.1 million for the years ended/ending 31 December 2021, 2022 and 2023, respectively. For the year ended 31 December 2022, the total transaction amounts paid or payable was RMB153.0 million without exceeding the annual cap for such transactions.

Waivers from Strict Compliance with the Listing Rules

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

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

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

For more details of the above connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

Confirmation of Independent Non-executive Directors

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

CONFIRMATION FROM THE COMPANY'S INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2022 has been provided by the Company to the Stock Exchange.

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

Further details on related party transactions for the year ended 31 December 2022 are set out in note 37 to the consolidated financial statements.

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of Director has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party for the year ended 31 December 2022 and up to the date of the Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2022.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

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

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

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

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws, the Company has arranged for appropriate insurance to cover all costs, charges, losses, expenses and liabilities incurred by any Directors or officers in the execution and discharge of his duties or in relation thereto. The relevant provisions in the Articles of Association and such directors and officers liability insurance were in force during the year ended 31 December 2022 and as of the date of the Annual Report.

PUBLIC FLOAT

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

EVENTS AFTER THE PERIOD

As at the date of the Annual Report, there was no important event affecting the Group which occurred after the end of 31 December 2022.

On 24 March 2023, Guangzhou Cheerwin Holding Company Limited* (廣州朝雲控股有限公司) ("**Guangzhou Cheerwin**"), an indirect wholly-owned subsidiary of the Company has entered into a sale and purchase agreement with Shanghai Xingaozi Cosmetics Company Limited* (上海新高姿化妝品有限公司) ("**Shanghai Xingaozi**"), pursuant to which Guangzhou Cheerwin has agreed to acquire, and Shanghai Xingaozi has agreed to sell, 100% of the equity interests of Guangdong Zhongkeyan Cosmetic Technology Research Company Limited* (廣東中科研化妝品技術研究有限公司) ("**Guangdong Zhongkeyan**") at a consideration of RMB5,035,632.00. For further details, please refer to the announcement of the Company published on 27 March 2023.

AUDIT COMMITTEE

The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2022.

AUDITOR

Deloitte Touche Tohmatsu was appointed as auditor of the Company (the "**Auditor**") for the year ended 31 December 2022. Deloitte Touche Tohmatsu has audited the accompanying financial statements which were prepared in accordance with the International Financial Reporting Standards. There is no change of Auditor in the preceding three years.

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

CORPORATE GOVERNANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2022, the Group has complied with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. Further details of the Group's ESG matters will be set out in the ESG Report to be published by the Company separately in due course and will be made available on the website of the Company and that of the Stock Exchange.

By Order of the Board
Chen Danxia
Executive Director, Chairman and Chief Executive Officer
Hong Kong, 24 March 2023

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Sage as disclosed in the Annual Report, for the year ended 31 December 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. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

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

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

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

Board Composition

As at 31 December 2022 and up to the date of the Annual Report, the Board comprised three executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Director

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

Non-Executive Director

Mr. Chen Zexing

Independent Non-executive Directors

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

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

The Board considers that the composition of the Board provides a strong independent element with a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Company. The Company embraces the benefits of having Board members from a diversified spectrum, in particular the independent non-executive Directors. The Company also considers the diversity at the Board level as an essential element in maintaining the Company's competitive advantage. To ensure independent views and inputs are available to the Board, the Company has established mechanism to ensure independent views and input are available to the Board. Regular Board meetings were held during the year with open discussion among the Directors. The Company also seeks the development of an effective working environment for the Board so as to improve the communication efficiency without constraining the independent views of the independent non-executive Directors. During the financial year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the above mechanism.

During the financial year ended 31 December 2022, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

During the financial year ended 31 December 2022 to the date of the Annual Report, the Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

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

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

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

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

Board Diversity Policy

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

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, asset management, consumer goods and computer industries. They obtained academic degrees in various majors, including business administration, accounting, computer and marketing. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 33 years old to 56 years old. In terms of gender diversity, while there has already been one female Director on the Board as at 31 December 2022, the Company and the Nomination Committee recognise the importance and benefits of gender diversity at the Board level and ensure at least one member of the Board shall be female if necessary. As at 31 December 2022, the male to female ratio (including senior management) of the Group is approximately 51%:49%. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. While we recognize that the gender diversity at the Board can be improved, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will review and revisit the Board Diversity Policy and our diversity profile (including gender balance) at least once annually to ensure its continued effectiveness and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval. We will also disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis. During the financial year ended 31 December 2022, the Board and the Nomination Committee had reviewed the implementation and effectiveness of the Board Diversity Policy.

Induction and Continuous Professional Development

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

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

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

Based on the information provided by the Directors, during the year ended 31 December 2022, the Directors received the following trainings and updates in 2022:

Name of Directors	Attending seminars and/or conferences and/or forums relation to rules and regulations or duties of the directors	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Ms. Chen Danxia	✓	✓
Mr. Xie Rusong	✓	✓
Mr. Zhong Xuyi	✓	✓
Non-executive Director		
Mr. Chen Zexing	✓	✓
Independent Non-executive Directors		
Dr. Yu Rong (appointed on 14 October 2022)	✓	✓
Mr. Guo Sheng	✓	✓
Mr. Chan Wan Tsun Adrian Alan	✓	✓
Dr. De-Chao Michael Yu (resigned on 14 October 2022)	✓	✓

Chairman and Chief Executive Officer

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

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

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

Appointment and Re-Election of Directors

Each of Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi, an executive Director, has entered into a service contract with the Company for an initial fixed term of three years commencing from 19 February 2021 and subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Mr. Chen Zexing, a non-executive Director, has entered into a letter of appointment with the Company, for an initial fixed term of three years commencing from 19 February 2021 and subject to termination in accordance with his term.

Each of Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan, an independent non-executive Director, has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 19 February 2021 and subject to termination in accordance with their respective terms.

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

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

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

Accordingly, Ms. Chen Danxia, Mr. Xie Rusong and Mr. Zhong Xuyi shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

In accordance with Article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Dr. Yu Rong shall retire from the office and being eligible, to offer himself for re-election at the Annual General Meeting.

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

Board Meetings

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

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

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

During the financial year ended 31 December 2022, six Board meetings and one general meeting was held. The attendance of each Director at the Board meeting is set out below:

	Attended/Eligible to attend	
Name of Directors	**Board meetings**	**General meeting**
Executive Directors		
Ms. Chen Danxia	6/6	1/1
Mr. Xie Rusong	6/6	1/1
Mr. Zhong Xuyi	6/6	1/1
Non-executive Director		
Mr. Chen Zexing	6/6	1/1
Independent Non-executive Directors		
Dr. Yu Rong (appointed on 14 October 2022)	2/2	N/A
Mr. Guo Sheng	6/6	0/1
Mr. Chan Wan Tsun Adrian Alan	6/6	1/1
Dr. De-Chao Michael Yu (resigned on 14 October 2022)	4/4	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions since the Listing Date. The Company has also adopted an insider dealing policy to govern and regulate securities transactions by employees who are likely to be in possession of inside information relating to the Company, the terms of which are no less exacting than those of the Model Code. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2022.

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

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

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

BOARD COMMITTEES

Audit Committee

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

The terms of reference of the Audit Committee are in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our Audit Committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board. The written terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company.

During the financial year ended 31 December 2022, the Audit Committee held two meetings to consider the Company's 2021 annual results announcement, 2021 annual report, 2022 interim results announcement and 2022 interim report, reviewed the financial reporting system, compliance procedures, internal control and risk management systems, re-appointment of the Auditor and discussed the audit plan for the year ended 31 December 2022 with the Auditor and made relevant recommendation to the Board.

The attendance of each Audit Committee member at the Audit Committee meeting during the financial year ended 31 December 2022 is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Chan Wan Tsun Adrian Alan	2/2
Mr. Chan Zexing	2/2
Mr. Guo Sheng	2/2
Dr. Yu Rong (appointed with effect from 14 October 2022)	N/A
Dr. De-Chao Michael Yu (resigned on 14 October 2022)	2/2

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

Nomination Committee

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

The terms of reference of the Nomination Committee are in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of our nomination committee are to consider and recommend to our Board on the appointment and removal of Directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on regular basis.

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

Policy on Directors Nomination

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

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

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

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

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

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

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

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

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board. During the financial year ended 31 December 2022, the Nomination Committee had considered and reviewed the proposal regarding the resignation of Dr. De-Chao Michael Yu as the independent non-executive Director and a member of the Audit committee, the Remuneration Committee and the Nomination Committee, and the corresponding proposal of appointment of Dr. Yu Rong as the independent non-executive Director and a member of the Audit committee, the Remuneration Committee and the Nomination Committee, with effect from 14 October 2022. For details, please refer to the announcement of the Company published on the same date.

During the financial year ended 31 December 2022, two meetings of the Nomination Committee was held to discuss and consider the following matters:

- reviewed the structure, size and composition of the Board;
- assessed independence of the independent non-executive Directors;
- reviewed the Nomination Policy;
- reviewed the Board Diversity Policy;
- considered the re-appointment of the retiring Directors; and
- discussed and made recommendations to the Board on (i) the resignation of Dr. De-Chao Michael Yu as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee; and (ii) the appointment of Dr. Yu Rong as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

The attendance of each Nomination Committee member at the Nomination Committee meeting during the period during the financial year ended 31 December 2022 is set out in the table below:

Name of Directors	**Attended/ Eligible to attend**
Ms. Chen Danxia	2/2
Mr. Guo Sheng	2/2
Dr. Yu Rong (appointed with effect from 14 October 2022)	N/A
Dr. De-Chao Michael Yu (resigned on 14 October 2022)	2/2

Remuneration Committee

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

The terms of reference of the Remuneration Committee are in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and recommend to our Board the remuneration and other benefits paid by us to our Directors and senior management as well as to regularly monitor the appropriacy of levels of the remuneration and compensation of the Directors and senior management.

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

During the financial year ended 31 December 2022, two meetings of the Remuneration Committee was held to discuss and consider the following matters:

- reviewed the remuneration of the Directors and senior management of the Company for the year of 2021;
- reviewed the remuneration policy and structure for the Directors and senior management of the Company for the year of 2022;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration; and
- reviewed and made recommendations to the Board on the Company's share incentive schemes under Chapter 17 of the Listing Rules.

The attendance of each Remuneration Committee member at the Remuneration Committee meeting during the financial year ended 31 December 2022 is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Guo Sheng	2/2
Ms. Chen Danxia	2/2
Dr. Yu Rong (appointed with effect from 14 October 2022)	N/A
Dr. De-Chao Michael Yu (resigned on 14 October 2022)	2/2

Remuneration of Directors and Senior Management

The aggregate remuneration (including fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions) payable to the Directors for the year ended 31 December 2022 was approximately RMB15.9 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration by band of the members of the Board and senior management of the Company (including Mr. Liang Hongwen and Dr. De-Chao Michael Yu who resigned in March 2022 and October 2022 respectively), whose biographies (except for Mr. Liang Hongwen and Dr. De-Chao Michael Yu) are set out on pages 16 to 21 of the Annual Report, for the year ended 31 December 2022, are set out below:

Band of remuneration	Number of individuals
Nil to RMB1,000,000	8
Over RMB1,000,000	5

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

During the year ended 31 December 2022, the Board has conducted a review of the effectiveness of the internal control system of the Group and considered the internal control system to be effective and adequate.

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

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

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

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Subject to the Companies Act and other applicable laws and regulations, the Company currently intend to pay approximately 80% of our consolidated profit attributable to Shareholders as dividends for the financial year ended 31 December 2022. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration and payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter in the future.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Auditor in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to RMB3,109,000 and RMB318,000 respectively. An analysis of the remuneration paid/payable to the Auditor, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service category	Fee paid/payable RMB'000
Audit services	3,109
Non-audit services	318
	3,427

COMPANY SECRETARY

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

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

In the financial year ended 31 December 2022, Ms. Wang and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

During the financial year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy.

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

Enquiries to the Board

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

Deloitte.

德勤

TO THE SHAREHOLDERS OF CHEERWIN GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statement of Cheerwin Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 65 to 140, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTER

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

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

We identified the allowance for finished goods as a key audit matter due to the significance of the balance to the consolidated financial statements and the management judgments and estimations involved in the identification of aged, obsolete and damaged finished goods and the determination of the net realisable value of the finished goods.
 	
Due to seasonality, the Group usually maintains higher amount of finished goods at the end of the reporting period to prepare for peak seasons in coming first and second quarters. The management identified the aged, obsolete and damaged finished goods based on aging, expiry date and current market conditions of the finished goods and determined the net realisable value based on the selling prices of finished goods subsequent to the end of reporting period less costs necessary to make the sale.
 	
As disclosed in note 4 to the consolidated financial statements, as at 31 December 2022, the carrying amount of finished goods was approximately RMB257,470,000 net of allowance of approximately RMB796,000.
	Our procedures in relation to allowance for finished goods included:
	
	• Obtaining an understanding of the Group's allowance policy on finished goods and the key controls on the management's process over the identification of aged, obsolete and damaged finished goods and the determination of the net realisable value of finished goods; and
	
	• Evaluating the reasonableness of the Group's allowance for finished goods by:
	
	    • Testing the aging analysis of finished goods, on a sample basis, to the production reports;
	
	    • Testing the expiry date of finished goods, on a sample basis, to the product labels;
	
	    • Tracing the latest selling prices, on a sample basis, to the relevant sales invoices; and
	
	    • Performing retrospective review on the accuracy of management's assessment relating to the allowance for finished goods.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**1,442,194**	1,769,157
Cost of sales		**(842,386)**	(981,731)
Gross profit		**599,808**	787,426
Other income	6	**75,977**	65,483
Other gains and losses	7	**9,818**	(15,897)
Impairment losses (recognised) reversed in respect of trade receivables, net of reversal		**(675)**	310
Selling and distribution expenses	8	**(435,254)**	(526,389)
Administrative expenses		**(163,763)**	(179,001)
Finance costs	9	**(863)**	(1,613)
Listing expenses		**–**	(10,030)
Profit before tax		**85,048**	120,289
Income tax expense	10	**(20,963)**	(29,524)
Profit for the year	11	**64,085**	90,765
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**105,806**	(18,232)
Total comprehensive income for the year		**169,891**	72,533
Profit (loss) for the year attributable to:			
– Owners of the Company		**64,730**	92,093
– Non-controlling interests		**(645)**	(1,328)
		64,085	90,765
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**170,501**	73,888
– Non-controlling interests		**(610)**	(1,355)
		169,891	72,533
Earnings per share			
– Basic (RMB cents)	14	**4.85**	7.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	As at 31 December 2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	163,961	172,900
Right-of-use assets	16	23,609	22,215
Intangible assets	17	11,645	–
Goodwill	18	3,925	–
Deposits paid for acquisition of property, plant and equipment		618	2,818
Financial assets at fair value through profit or loss ("FVTPL")	19	146,031	66,900
Deferred tax assets	20	68,064	54,134
		417,853	318,967
CURRENT ASSETS			
Inventories	21	319,177	340,442
Trade and other receivables	22	97,216	70,996
Tax recoverable		6,876	12,527
Amounts due from related parties	23	14,410	11,562
Other financial assets at amortised cost	24	357,910	–
Time deposits	25	1,455,986	715,329
Bank balances and cash	25	903,500	1,952,827
		3,155,075	3,103,683
CURRENT LIABILITIES			
Trade and other payables	26	414,807	419,529
Contract liabilities	27	243,719	169,066
Amounts due to related parties	23	66,548	76,765
Lease liabilities	28	6,202	5,517
Income tax payables		3,200	7,122
		734,476	677,999
NET CURRENT ASSETS		2,420,599	2,425,684
TOTAL ASSETS LESS CURRENT LIABILITIES		2,838,452	2,744,651

	NOTES	As at 31 December 2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	28	10,412	9,392
Deferred tax liabilities	20	8,270	–
		18,682	9,392
NET ASSETS		2,819,770	2,735,259
CAPITAL AND RESERVES			
Share capital	29	2	2
Reserves		2,812,471	2,733,759
Equity attributable to owners of the Company		2,812,473	2,733,761
Non-controlling interests		7,297	1,498
TOTAL EQUITY		2,819,770	2,735,259

The consolidated financial statements on pages 65 to 140 were approved and authorised for issue by the board of directors on 24 March 2023 and are signed on its behalf by:

Zhong Xuyi	Chen Danxia
DIRECTOR	DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Translation reserve RMB'000	Merger reserve RMB'000 (note (a))	Share-based payments reserve RMB'000	Statutory reserve RMB'000 (note (b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	1	1,550	30,115	6	(21,030)	–	27,064	209,975	247,681	2,853	250,534
Profit (loss) for the year	–	–	–	–	–	–	–	92,093	92,093	(1,328)	90,765
Other comprehensive expense for the year	–	–	–	(18,205)	–	–	–	–	(18,205)	(27)	(18,232)
Total comprehensive (expense) income for the year	–	–	–	(18,205)	–	–	–	92,093	73,888	(1,355)	72,533
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(58,667)	(58,667)	–	(58,667)
Issue of new shares by the Company upon share offer in the Listing (as defined below)	1	2,598,217	–	–	–	–	–	–	2,598,218	–	2,598,218
Transaction costs attributable to issue of new shares	–	(134,456)	–	–	–	–	–	–	(134,456)	–	(134,456)
Recognition of share-based payments (Note 30)	–	–	–	–	–	7,097	–	–	7,097	–	7,097
Transfer to statutory reserve	–	–	–	–	–	–	3,366	(3,366)	–	–	–
At 31 December 2021	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 year	–	–	–	–	–	–	–	64,730	64,730	(645)	64,085
Other comprehensive income for the year	–	–	–	105,771	–	–	–	–	105,771	35	105,806
Total comprehensive income (expense) for the year	–	–	–	105,771	–	–	–	64,730	170,501	(610)	169,891
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(96,133)	(96,133)	–	(96,133)
Arising on acquisition of subsidiaries (Note 31)	–	–	–	–	–	–	–	–	–	6,409	6,409
Recognition of share-based payments (Note 30)	–	–	–	–	–	4,344	–	–	4,344	–	4,344
Transfer to statutory reserve	–	–	–	–	–	–	3,191	(3,191)	–	–	–
At 31 December 2022	2	2,465,311	30,115	87,572	(21,030)	11,441	33,621	205,441	2,812,473	7,297	2,819,770

Notes:

(a) The amounts represented the difference between the acquisition considerations of group entities comprising the Group under group reorganisation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**") 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 surplus reserve, which is non-distributable, can be used (i) to offset the prior year losses, if any, and/or (ii) in capital conversion.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	85,048	120,289
Adjustments for:		
Impairment losses recognised (reversed) in respect of trade receivables, net of reversal	675	(310)
Depreciation of property, plant and equipment	24,486	24,859
Amortisation of intangible assets	39	–
Depreciation of right-of-use assets	7,577	5,692
Interest income	(48,065)	(19,613)
Investment income	(7,925)	(6,792)
Gain on fair value changes of financial assets at fair value through profit or loss	(21,431)	–
Finance costs	863	1,613
Reversals of write-down of inventories	(1,303)	(2,590)
Share-based payment expenses	4,344	7,097
Losses on disposal/write-off of property, plant and equipment	70	3
Non-cash donations	2,886	2,960
Operating cash flows before movements in working capital	47,264	133,208
Decrease in inventories	20,649	18,982
(Increase) decrease in trade and other receivables	(26,531)	31,481
(Increase) decrease in amounts due from related parties	(2,848)	36,177
(Decrease) increase in trade and other payables	(8,393)	20,082
Increase (decrease) in contract liabilities	74,653	(317,686)
Decrease in amounts due to related parties	(10,217)	(23,539)
Cash generated from (used in) operations	94,577	(101,295)
Income tax paid	(27,815)	(90,606)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	66,762	(191,901)
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(597,700)	(1,202,900)
Placement of time deposits	(7,002,427)	(660,000)
Purchase of financial assets at amortised cost	(497,873)	–
Withdrawal of financial assets at amortised cost	142,678	–
Purchase and deposits paid for acquisition of property, plant and equipment	(11,600)	(49,445)
Upfront payments for leasehold lands	(200)	–
Payments for acquisition of subsidiaries, net of cash acquired (note 31)	(4,396)	–
Proceeds on disposal of property, plant and equipment	113	23
Receipt of investment income from financial assets at FVTPL	7,925	6,792
Interest income received	29,812	19,613
Proceeds on disposal of financial assets at FVTPL	540,000	1,136,000
Withdrawal of time deposits	6,104,245	550,000
NET CASH USED IN INVESTING ACTIVITIES	(1,289,423)	(199,917)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	–	2,463,762
Finance costs paid	(863)	(1,613)
Repayments of lease liabilities	(7,066)	(5,005)
Share issue cost paid	(1,473)	(5,119)
Repayment to a related party	–	(9,918)
Repayment of borrowings	–	(300,000)
Dividends paid	(96,133)	(58,667)
NET CASH (USED IN) GENERATE FROM FINANCING ACTIVITIES	(105,535)	2,083,440
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,328,196)	1,691,622
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,558,156	884,766
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	105,806	(18,232)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	1,335,766	2,558,156
Bank balances and Cash	903,500	1,952,827
Time deposits with maturity of three months or less	432,266	605,329
	1,335,766	2,558,156

1. GENERAL INFORMATION

Cheerwin Group Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands with limited liability on 11 April 2018 under the Companies Act, Cap. 22 of the Cayman Islands. Its immediate holding company is Cheerwin Global Limited ("**Cheerwin Global BVI**"), a company incorporated in the British Virgin Islands (the "**BVI**") on 27 March 2018. The ultimate controlling shareholders of the Company are Mr. Chen Kaixuan ("**Mr. KX Chen**"), Ms. Li Ruohong ("**Ms. Li**"), the spouse of Mr. KX Chen, Mr. Chen Kaichen ("**Mr. KC Chen**") and Ms. Ma Huizhen ("**Ms. Ma**"), the spouse of Mr. KC Chen (collectively referred as "**Controlling Shareholders**"). The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 10 March 2021.

The address of the registered office and the principal place of business of the Company in Hong Kong and the PRC are disclosed in the corporate information section of the annual report of the Company for the year ended 31 December 2022.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are manufacturing and trading of household insecticides and repellents, household cleaning, air care, personal care, pet products and other products in the PRC.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2022 for the preparation of the 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

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to IFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities* and *Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payments*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Business combinations

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the *Conceptual Framework* to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Goodwill (continued)

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investment in a subsidiary

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

Revenue from contracts with customers

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is recognised as follows:

Sales of goods

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

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

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

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

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

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

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

(b) a refund liability/contract liability; and

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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

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

The Group remeasures the lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

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

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Intangible assets acquired in a business combination

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Bank balances and cash

Bank balances and cash presented on the consolidated statement of financial position include bank balances and cash, which comprises of cash on hand and demand deposits.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above, and cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables and trade-related amounts due from related parties.

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

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Allowance for finished goods

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

As at 31 December 2022, the carrying amounts of finished goods of the Group were approximately RMB257,470,000 (2021: RMB269,799,000), net of allowance for finished goods of approximately RMB796,000 (2021: RMB2,015,000).

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

The information about the Group's trade receivables and amounts due from related parties and the ECL assessment is disclosed in Notes 22, 23 and 34, respectively. As at 31 December 2022, the carrying amounts of the Group's trade receivables were approximately RMB21,303,000 (2021: RMB6,117,000), net of allowance for credit losses of approximately RMB943,000 (2021: RMB546,000). As at 31 December 2022, the carrying amounts of the Group's amounts due from related parties (excluding prepayments to related parties) were approximately RMB14,071,000 (2021: RMB11,274,000).

Variable consideration for volume rebates

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

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

The Group assesses the expected annualised volume rebates regularly and accrued sales rebates are adjusted accordingly. Estimates of expected annualised volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of a customer's actual rebate entitlements in the future. As at 31 December 2022, the amounts recognised as accrued sales rebates were approximately RMB166,034,000 (2021: RMB127,087,000) for the expected volume rebates.

Fair value measurement of financial instruments

As at 31 December 2022, the Group's financial assets, being unlisted investments at FVTPL amounting to RMB146,031,000 (2021: RMB66,900,000), are measured at fair values with certain fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 19 for further disclosures.

5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the manufacturing and trading of household insecticides and repellents, household cleaning, air care, personal care, pet products and other products in the PRC.

(i) Disaggregation of revenue

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue by types of products		
Household care (Note i)	**1,296,901**	1,608,309
Personal care	**64,283**	100,817
Pet products	**76,943**	52,662
Others (Note ii)	**4,067**	7,369
Total	**1,442,194**	1,769,157
Timing of revenue recognition		
At a point in time	**1,442,194**	1,769,157

Notes:

(i) Household care included household insecticides and repellents, household cleaning and air care products.

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

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

As at 31 December 2022, the Group had aggregate amount of the transaction price allocated to remaining performance obligations (unsatisfied or partially unsatisfied) amounted to approximately RMB243,719,000 (2021: RMB169,066,000). The amounts were equivalent to the contract liabilities as at 31 December 2022 and 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 31 December 2022 and 2021 will be recognised as revenue within next twelve months.

(iii) Segment information

Revenue and operating result of the Group are reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 3. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

5. REVENUE AND SEGMENT INFORMATION (continued)

(iv) Geographic information

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

(v) Information about major customers

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A (Note)	**199,064**	270,427

Note: Customer A represented a group of entities under common control of the Controlling Shareholders as set out in Note 37. No single entity other than Customer A contributes 10% or more of total revenue of the Group for the respective years.

6. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (Note)	**19,541**	37,993
Bank interest income	**45,350**	19,613
Interest income from other financial assets at amortised cost	**2,715**	–
Investment income from financial assets at FVTPL	**7,925**	6,792
Others	**446**	1,085
	75,977	65,483

Note: The amount represented subsidy income received from certain government authorities in the PRC for the purpose of giving immediate financial support to the Group with no future obligations.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Losses on disposal/write-off of property, plant and equipment	**(70)**	(3)
Donations (Note)	**(3,555)**	(2,960)
Foreign exchange losses, net	**(7,988)**	(12,934)
Gain on changes in fair value of financial assets at FVTPL (Note 19)	**21,431**	–
	9,818	(15,897)

Note: During the year ended 31 December 2022, the Group made a donation of disinfectant and relevant anti-epidemic products and pet products with carrying value of RMB2,886,000 (2021: RMB2,960,000) to donees and charity organisations in the PRC.

8. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Staff costs	**57,986**	67,162
Promotion expenses	**73,322**	119,239
E-commerce channel promotion expenses	**134,837**	161,019
Advertising service expenses	**53,680**	59,054
Transportation and storage expenses	**96,906**	99,847
Marketing expenses	**17,880**	14,492
Others	**643**	5,576
	435,254	526,389

9. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expense on lease liabilities	**863**	801
Interest expense on bank borrowing	**–**	812
	863	1,613

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT"):		
Current tax	**29,659**	47,695
Overprovision in prior year	**(114)**	(1,350)
	29,545	46,345
Deferred tax (Note 20)	**(8,582)**	(16,821)
	20,963	29,524

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

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

10. INCOME TAX EXPENSE (continued)

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

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before tax	85,048	120,289
Tax at PRC EIT rate of 25%	21,262	30,072
Tax effect of income not taxable for tax purpose	–	(2,972)
Tax effect of super deduction for research and development expenses (Note)	(6,280)	(4,471)
Tax effect of expenses not deductible for tax purpose	4,164	11,765
Tax effect of deductible temporary differences and tax losses not recognised	17,018	16,761
Utilisation of tax loss previously not recognised	(2,324)	–
Effect on preferential tax rate of a subsidiary	(12,763)	(20,281)
Overprovision in prior year	(114)	(1,350)
Income tax expense for the year	20,963	29,524

Note: The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 100% (2021: 100%) tax deduction in the calculation of income tax expense for the year ended 31 December 2022.

11. PROFIT FOR THE YEAR

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 12)	**15,937**	18,811
Other staff costs:		
Salaries and other allowances	**128,111**	137,899
Contributions to retirement benefits scheme	**11,249**	7,584
Share-based payment expenses	**728**	1,695
Total staff costs (Note i)	**156,025**	165,989
Depreciation of property, plant and equipment	**24,486**	24,859
Amortisation of intangible assets	**39**	–
Depreciation of right-of-use assets	**7,577**	5,692
Total depreciation	**32,102**	30,551
Less: capitalised in inventories	**(5,377)**	(5,013)
	26,725	25,538
Auditors' remuneration	**3,109**	3,087
Research and development costs (included in administrative expenses)	**32,318**	11,113
Cost of inventories recognised as an expense (Note ii)	**843,689**	984,321

Notes:

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Staff costs included in cost of inventories	**16,018**	18,397
Selling and distribution expenses	**57,986**	67,162
Administrative expenses	**82,021**	80,430
	156,025	165,989

(ii) Amount included reversals of write-down of inventories of approximately RMB1,303,000, (2021: reversals of write-down of inventories of approximately RMB2,590,000).

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

Directors' and chief executive's emoluments

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

Year ended 31 December 2022

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

Year ended 31 December 2021

	Fees RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors						
Chen Danxia (Note ii)	–	6,859	1,601	4,836	36	13,332
Xie Rusong	–	1,865	385	283	57	2,590
Zhong Xuyi	–	866	733	283	35	1,917
Non-executive director						
Chen Zexing	243	–	–	–	–	243
Independent non-executive directors	–					
Guo Sheng (Note iii)	243	–	–	–	–	243
De-Chao Michael Yu (Note iii)	243	–	–	–	–	243
Chan Wan Tsun Adrian Alan (Note iii)	243	–	–	–	–	243
	972	9,590	2,719	5,402	128	18,811

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

Directors' and chief executive's emoluments (continued)

Notes:

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

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

(iii) Mr. Guo Sheng, Dr. De-Chao Michael Yu and Mr. Chan Wan Tsun Adrian Alan were appointed as the independent non-executive directors of the Company on 19 February 2021. On 14 October 2022, Dr. De-Chao Michael Yu has resigned from the independent non-executive director of the Company and Dr. Yu Rong has been appointed as an independent non-executive Director of the Company on the same date.

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

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

Employees' emoluments

The five highest paid individuals of the Group included three (2021: two) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2021: three) individuals who are neither a director nor chief executive of the Company, are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and allowances	**2,262**	2,760
Performance related bonus	**230**	2,926
Retirement benefits scheme contributions	**84**	119
Share-based payment expenses	**400**	566
	2,976	6,371

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

Employees' emoluments (continued)

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

	Number of employees 2022	2021
HK$1,500,001 to HK$2,000,000	2	–
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	–	2
	2	3

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

13. DIVIDENDS

During the current year, a final dividend of RMB0.0553 per ordinary share (equivalent to HK$0.0680 per ordinary share) in respect of the year ended 31 December 2021 (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 current year amounted to approximately RMB73,733,000 (2021: RMB58,667,000).

During the current year, an interim dividend of RMB0.0168 per ordinary share (equivalent to HK$0.0192 per ordinary share) in respect of the six months ended 30 June 2022 (2021: nil in respect of the six months ended 30 June 2021) was declared and paid to owners of the Company. The aggregate amount of the interim dividend declared and paid in the current year amounted to approximately RMB22,400,000.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB0.0220 per ordinary share (equivalent to HK$0.0251 per ordinary share), in an aggregate amount of RMB29,333,000 has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**64,730**	92,093

	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**	1,270,320

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares for both 2022 and 2021 since the grant date of those share options.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2021	97,912	71,501	1,898	13,808	3,806	188,925
Additions	223	3,920	953	9,969	29,908	44,973
Transfer	18,929	11,396	–	45	(30,370)	–
Disposals/write-off	–	(304)	(6)	(10)	–	(320)
At 31 December 2021	117,064	86,513	2,845	23,812	3,344	233,578
Additions	–	4,271	11	5,016	6,432	15,730
Transfer	7,910	1,866	–	–	(9,776)	–
Disposals/write-off	–	(1,020)	(230)	(5)	–	(1,255)
At 31 December 2022	124,974	91,630	2,626	28,823	–	248,053
ACCUMULATED DEPRECIATION						
At 1 January 2021	11,395	17,910	1,447	5,361	–	36,113
Provided for the year	5,306	13,271	316	5,966	–	24,859
Eliminated on disposals/write-off	–	(278)	(6)	(10)	–	(294)
At 31 December 2021	16,701	30,903	1,757	11,317	–	60,678
Provided for the year	6,645	13,984	410	3,447	–	24,486
Eliminated on disposals/write-off	–	(848)	(219)	(5)	–	(1,072)
At 31 December 2022	23,346	44,039	1,948	14,759	–	84,092
CARRYING VALUES						
At 31 December 2022	101,628	47,591	678	14,064	–	163,961
At 31 December 2021	100,363	55,610	1,088	12,495	3,344	172,900

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

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

16. RIGHT-OF-USE ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Carrying amounts:		
Leased properties	**15,677**	14,249
Leasehold lands	**7,932**	7,966
	23,609	22,215

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation recognised in profit or loss:		
Leased properties	**7,342**	5,462
Leasehold lands	**235**	230
	7,577	5,692

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Expense relating to short-term leases	**668**	424
Total cash outflow for leases	**8,597**	6,230
Additions to right-of-use assets	**8,971**	13,035

The Group leases various offices for its operation. Lease contracts are entered into for fixed term of 3 years to 5 years with fixed payments. In addition, lump sum payments were made upfront to acquire the land use rights in the PRC, where its manufacturing facilities are primarily located. The Group does not have the option to purchase the leasehold lands and leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

The Group regularly entered into short-term leases for warehouses. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. INTANGIBLE ASSETS

Intangible assets comprise the following:

	As at 31 December 2022 RMB'000
Intangible assets with finite lives, net	3,145
Intangible asset with indefinite lives:	
Brand name	8,500
	11,645

The following table presents the changes in cost and accumulated amortisation of the Company's intangible assets with finite lives:

	Patents RMB'000
COST	
At 1 January 2021 and 31 December 2021	–
Acquisition of subsidiaries (Note 31)	3,184
At 31 December 2022	3,184
AMORTISATION	
At 1 January 2021 and 31 December 2021	–
Provided for the year	39
At 31 December 2022	39
CARRYING VALUES	
At 31 December 2022	3,145
At 31 December 2021	–

Patents have an estimated useful live of 10 years and are amortised on a straight-line basis.

Intangible asset with indefinite lives recorded by the Company is the brand name. The Company expects to renew the registration of the brand name at each expiry date indefinitely, and expects the asset to generate economic benefit in perpetuity. As such, the Company assessed the intangible asset to have indefinite useful lives.

No impairment loss is recognized in relation to the intangible asset with indefinite useful lives. Details are set out in note 18.

18. GOODWILL

	Acquisition of Shenzhen Zhuazhua Group RMB'000
COST	
At 1 January 2021 and 31 December 2021	–
Arising on acquisition of subsidiaries (Note 31)	3,925
At 31 December 2022	**3,925**

The goodwill was arising from acquisition of Shenzhen Zhuazhua Technology Co., Ltd ("**Shenzhen Zhuazhua**") and its subsidiaries (collectively as "**Shenzhen Zhuazhua Group**") on 29 November 2022 as set out in Note 31.

For the purposes of impairment testing, goodwill and intangible asset with indefinite useful lives have been allocated to one individual cash-generating units, namely Shenzhen Zhuazhua Group. The carrying amount of goodwill allocated to the unit is as follows:

	Goodwill 31/12/2022 RMB'000	Brand name 31/12/2022 RMB'000
Shenzhen Zhuazhua Group	**3,925**	**8,500**

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 17.21%. Shenzhen Zhuazhua Group's cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

During the year ended 31 December 2022, the directors of the Company determines that there is no impairment on Shenzhen Zhuazhua Group. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Shenzhen Zhuazhua Group to exceed the aggregate recoverable amount of Shenzhen Zhuazhua Group.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Unlisted investments		
Financial assets at FVTPL	**146,031**	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 31 December 2022, the fair value of the investment amounted to approximately RMB86,469,000 (2021: RMB66,900,000), and a fair value gain of approximately RMB19,569,000 (2021: nil) was recognised in profit or loss for the year ended 31 December 2022.

In April 2022, the Group invested in 30% equity interest in Wuhan Zhongbo Lvya Biotechnology Co., Ltd. ("**Zhongbo Lvya**") at a cash consideration of approximately RMB57,700,000. The Group has the power to appoint one out of the three directors of Zhongbo Lvya under the Article of Association of Zhongbo Lvya. The Group considers it has the power to exercise and has significant influence over the operating and financing activities of Zhongbo Lvya and Zhongbo Lvya became an associate of the Group upon the completion of the transaction.

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

As at 31 December 2022, details of the associate are as follows:

Name of associate	Place of establishment/ incorporation	Principal place of business	Proportion of ownership interest/ voting rights held by the Group	Principal activity
Zhongbo Lvya	The PRC	The PRC	30%	Development and production of pet products

20. DEFERRED TAX ASSETS AND LIABILITIES

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**68,064**	54,134
Deferred tax liabilities	**(8,270)**	–
	59,794	54,134

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

	Accrued sales rebates	Unrealised profit on inventories	Unrealised profit on financial assets at FVTPL	Intangible assets acquired in business combinations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	30,193	7,120	–	–	–	37,313
Credited (charged) to profit or loss (Note 10)	16,904	(121)	–	–	38	16,821
At 31 December 2021	47,097	6,999	–	–	38	54,134
Credited (charged) to profit or loss (Note 10)	15,930	(2,021)	(5,358)	10	21	8,582
Acquisition of a subsidiary (Note 31)	–	–	–	(2,922)	–	(2,922)
At 31 December 2022	**63,027**	**4,978**	**(5,358)**	**(2,912)**	**59**	**59,794**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB133,413,000 as at 31 December 2022 (2021: RMB189,387,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2022, the Group has unused tax losses of approximately RMB47,603,000 (2021: RMB46,435,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB47,603,000 (2021: RMB46,435,000) with expiry dates as disclosed in the following table.

20. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
2025	**13,312**	18,074
2026	**23,826**	28,361
2027	**10,465**	–
Total	**47,603**	46,435

As at 31 December 2022, the Group has deductible temporary differences of approximately RMB134,846,000 (2021: RMB77,234,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	**47,148**	52,446
Work-in-progress	**14,559**	18,197
Finished goods	**257,470**	269,799
	319,177	340,442

22. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**22,246**	6,663
Less: Allowance for credit losses	**(943)**	(546)
	21,303	6,117
Prepayments for purchase of raw materials	**10,336**	9,434
Prepaid promotion service expenses	**4,528**	6,630
Other tax recoverables	**49,291**	32,027
Receivables from payment intermediaries (Note a)	**978**	1,268
Other receivables (Note b)	**10,780**	15,520
	97,216	70,996

22. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(a) Receivables from payment intermediaries represent the sales received by Alipay, Jingdong and other platforms on behalf of the Group for the online platform sales. The balance will be transferred back to the bank accounts of the Group upon the Group's instruction.

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

Trade receivables

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately RMB15,876,000.

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

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	12,934	4,460
31–60 days	6,863	1,657
61–90 days	1,506	–
	21,303	6,117

As at 31 December 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB8,369,000 (2021: RMB1,657,000) which are past due as at the reporting date. In particular, for trade receivable past due as at 31 December 2022, carrying amount of RMB4,267,000 is due from one single customer. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable considering factors such as historical settlement patterns from and on-going business relationship with this customer. The entire balance has been fully settled subsequently.

As at 31 December 2021, the Group considered trade receivables with gross amount of approximately RMB278,000 (2022: nil) 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.

Details of impairment assessment are set out in Note 34(b).

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

The Group

Amounts due from related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade nature (Notes a & b)		
– Guangdong Liby Washing Products Company Limited	**9,202**	6,517
– Shanghai Liby Shiye Company Limited	**4,373**	2,735
– Tianjin Liby Product Sales Company Limited	**54**	1,930
– Chengdu Liby Shiye Company Limited	**362**	–
– Nanjing Liby Rihua Company Limited	**80**	84
– Guangzhou Conghua Liby Rihua Company Limited	**–**	8
	14,071	11,274

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade related prepayments (Note a)		
– Guangzhou Zhanze Property Management Company Limited	**339**	288
	14,410	11,562

As at 1 January 2021, amounts due from related parties with trade nature amounted to approximately RMB47,593,000.

Notes:

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

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

The Group (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 (excluding prepayments to related parties) with related parties at the end of each reporting period presented based on the invoice date.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 45 days	**6,164**	11,266
46–90 days	**7,670**	–
91–135 days	**237**	8
	14,071	11,274

As at 31 December 2022, included in the Group's trade related balances with related parties approximately RMB7,907,000 (2021: RMB8,000) were past due as at the reporting date. Out of the past due balances as at 31 December 2022, nil (2021: nil) 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.

Details of impairment assessment are set out in Note 34(b).

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

The Group (continued)

Amounts due to related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade nature (Note)		
– Guangzhou Liby Group Company Limited	26,883	37,807
– Xinxiang Liby Shiye Company Limited	10,763	10,801
– Guangzhou Liby (Panyu) Company Limited	11,414	9,590
– Maanshan Liby Rihua Company Limited	10,993	9,049
– Siping Liby Rihua Company Limited	3,283	3,987
– Liby Rihua Company Limited	185	2,822
– Sichuan Liby Shiye Company Limited	3,027	2,219
– Guangzhou Zhi Yun COGI Bio-technology Company Limited	–	490
	66,548	76,765

Note:

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

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	19,056	38,282
31–60 days	16,400	9,066
61–90 days	15,089	2,942
91–180 days	2,615	8,825
181–365 days	13,388	17,650
	66,548	76,765

24. OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other investments		
– principal	355,195	–
– interest receivables	2,715	–
	357,910	–

As at 31 December 2022, other investments include i) bonds of USD37,000,000 (equivalent to RMB257,690,200) issued by a private company incorporated in HK and its corresponding interest receivables. Among the bonds, USD17,000,000 of the bonds carries interest at 5.7% per annum and due in May 2023 while USD20,000,000 of the bonds carries interest at 5.8% per annum and due in November 2023; ii) asset management plans of USD14,000,000 (equivalent to RMB97,504,400) and its corresponding interest receivables with fixed interest rate at prevailing market rate. 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 bonds and asset management plans represent solely the payments of principal and interest on the principal amount outstanding, the investment in bonds and asset management plans are measured at amortised cost.

25. TIME DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2022, time deposits of RMB1,455,986,000 (2021: RMB715,329,000) were denominated in RMB and carried fixed-rates ranging from 3.20% to 5.18% (2021: 2.31% to 3.78%) per annum.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Time deposits with maturity of three months or less	432,266	605,329
Time deposits with maturity of more than three months but less than one year	1,008,182	110,000
	1,440,448	715,329
Interest receivables	15,538	–
	1,455,986	715,329
Presented as:		
Current	1,455,986	715,329

Bank balances and cash consists of demand deposits and cash on hand. Bank balances carry interest at prevailing market rate of 0.30% (2021: 0.30%) per annum as at 31 December 2022.

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	177,243	216,133
Accrued sales rebates (Note)	166,034	127,087
Other accrued expenses	29,547	24,626
Accrued staff payroll and welfare	27,417	30,279
Construction costs payables	3,213	1,283
Other tax payables	6,679	11,573
Other payables	4,674	2,653
Accrued issued costs and listing expenses	–	5,895
	414,807	419,529

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

Trade payables

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 30 days	95,129	123,941
31–60 days	46,536	55,125
61–90 days	18,845	19,456
Over 90 days	16,733	17,611
	177,243	216,133

27. CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Receipts in advances from customers		
– finished goods	**243,719**	169,066

As at 1 January 2021, contract liabilities amounted to RMB486,752,000.

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

The following table shows how much of the revenue recognised for the years ended 31 December 2022 and 2021 relates to the contract liabilities at the beginning of the year:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised during the year	**169,066**	486,752

28. LEASE LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**6,202**	5,517
Within a period of more than one year but not more than two years	**4,735**	4,361
Within a period of more than two years but not more than five years	**5,677**	5,031
	16,614	14,909
Less: Amount due for settlement within 12 months shown under current liabilities	**(6,202)**	(5,517)
Amount due for settlement after 12 months shown under non-current liabilities	**10,412**	9,392

When recognising the lease liabilities for leases, the Group has applied incremental borrowing rates of the relevant group entities at the leases commencement/modification dates. The weighted average incremental borrowing rates applied by the relevant group entities are 4.75% (2021: 4.75%) per annum.

29. 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 and 31 December 2022	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 and 31 December 2022	**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 (equivalent to approximately RMB7.8) per share.

30. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme

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

In order to allow the release of shares to beneficiaries upon vesting of each share award under the Share Award Scheme, the Company will allot and issue such number of shares representing up to 10% of the shares in issue of the Company. The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme in any 12-month period shall not exceed 1.5% of the number of issued share capital of the Company. The Share Award Scheme is effective from 3 June 2021 and shall continue in full force and effect for a term of 10 years or until such date of early termination as determined by the Company.

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

Details of awarded shares granted during the year ended 31 December 2021 are as follows:

Date of grant	Average fair value per share at date of grant	Number of awarded shares	Number of awarded shares vested during the year	Vesting period
23.09.2021	HK$4.33	19,800,000	–	23.09.2021 to 15.04.2025

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

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

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Award Scheme (continued)

Details of the movements of the outstanding options granted under the Share Award Scheme during the year ended 31 December 2021 are as follows:

	Average fair value per share	Date of grant	Outstanding at 1/1/2021 '000	Granted during the year '000	Vested during the year '000	Forfeited during the year '000	Outstanding at 31/12/2021 '000
Executive directors							
Ms. Chen Danxia	HK$4.33	23.09.2021	–	15,000	–	–	15,000
Mr. Xie Rusong	HK$4.33	23.09.2021	–	600	–	–	600
Mr.Zhong Xuyi	HK$4.33	23.09.2021	–	600	–	–	600
Employees	HK$4.33	23.09.2021	–	3,600	–	–	3,600
Total			–	19,800	–	–	19,800

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

During the year ended 31 December 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 (2021: nil) of cumulative cost recognised in prior periods was reversed, resulting in net impact of share-based payment expenses amounted to RMB3,923,000 (2021: RMB6,384,000) which was recognised in profit or loss during the current year and no shares were vested for both years.

Share Option Scheme

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

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme (continued)

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

Details of share of options granted to directors and key management during the year ended 31 December 2021 are as follows:

Date of grant	Number of option	Vesting date	Exercisable period	Exercise price
23.09.2021	1,200,000	15.04.2022	16.04.2022–23.09.2031	HK$4.33
23.09.2021	1,200,000	15.04.2023	16.04.2023–23.09.2031	HK$4.33
23.09.2021	1,200,000	15.04.2024	16.04.2024–23.09.2031	HK$4.33
23.09.2021	1,200,000	15.04.2025	16.04.2025–23.09.2031	HK$4.33

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

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

The following table discloses movements of the Company's share options held by directors and key managements during the year ended 31 December 2021:

Date of grant	Outstanding at 01/01/2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2021
23 September 2021	–	4,800,000	–	–	4,800,000

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2021
Exercise price (HK$)	4.33
Expected volatility	42.08%
Expected life	10 years
Risk-free rate	1.27%
Expected dividend yield	0.60%

Expected volatility was determined with reference to the historical volatilities of comparable companies of the Company. The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Option Scheme (continued)

During the year ended 31 December 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, RMB488,000 (2021: nil) of cumulative cost recognised in prior periods was reversed. Aggregate share-based payment expenses amounted to approximately RMB421,000 (2021: RMB713,000) was recognised under the Share Option Scheme.

During the year ended 31 December 2022, 2,700,000 (2021: nil) of share options were forfeited and no shares were vested for both years.

31. ACQUISITION OF SUBSIDIARIES

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

Consideration transferred

	RMB'000
Cash	14,000

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

Assets acquired and liabilities recognised at the date of acquisition

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

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

31. ACQUISITION OF SUBSIDIARIES (continued)

Non-controlling interests

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

Goodwill arising on acquisition

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

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

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

Net cash outflow on acquisition of Shenzhen Zhuazhua Group

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

Impact of acquisition on the results of the Group

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

Had the acquisition of Shenzhen Zhuazhua Group been completed on 1 January 2022, revenue for the year of the Group would have been RMB1,445,720,000, and profit for the year would have been RMB64,022,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

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

32. RETIREMENT BENEFIT PLANS

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

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

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

33. CAPITAL MANAGEMENT

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

The capital structure of the Group consists net debts, which include lease liabilities as disclosed in Note 28, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	**146,031**	66,900
Financial assets at amortised cost	**2,764,528**	2,702,335
Financial liabilities		
Amortised cost	**251,678**	302,729

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

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

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits (see Note 25 for details), other financial assets at amortised cost (see Note 24 for details) and lease liabilities (see Note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group currently does not have an interest rate hedging policy. As management of the Group considered such exposure to cash flow interest rate risk is minimal, accordingly, no sensitivity analysis is presented.

Currency risk

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

Credit risk and impairment assessment

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

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

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

34. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and trade related balances with related parties and credit-impaired individually and/or collectively. Except for credit-impaired trade receivables, trade receivables with significant balances and trade related balances with related parties, which are assessed for impairment individually, the remaining trade receivables and trade related balances with related parties are grouped based on shared credit risk characteristics by reference to internal credit ratings and past due exposure for the customers. As at 31 December 2022, credit-impaired trade receivables with gross amount of approximately RMB nil (2021: RMB278,000) were assessed individually. As at 31 December 2022, trade receivables with significant balances of approximately RMB16,917,000 (2021: RMB5,179,000) were assessed individually. Details of the quantitative disclosures are set out below in this note.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables and trade related balances with related parties as at 31 December 2022 and 2021.

Other receivables

The Group assessed the loss allowance for other receivables on 12-month ECL basis as the Group has considered that credit risks on these financial assets have not increased significantly since initial recognition. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The Group has considered the consistently low historical default rate in connection with payments and the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In addition, the Controlling Shareholders agreed to provide adequate financial support to the related parties to meet in full their obligations as necessary. For the years ended 31 December 2022 and 2021, management of the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognised.

Other financial assets at amortised cost

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

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other financial assets at amortised cost based on historical settlement records and past experiences incorporating forward-looking information. The Group assessed 12m ECL for other financial assets at amortised cost by reference to information relating to probability of default and loss given default of the respective credit rating grades of comparable companies. Based on the average loss rates, the 12m ECL on other financial assets at amortised cost is considered to be insignificant.

34. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Time deposits and bank balances and cash

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

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

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

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

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

34. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2022 RMB'000	Gross carrying amount At 31 December 2021 RMB'000
Financial assets at amortised costs					
Trade receivables	22	(Note 1)	Lifetime ECL – not credit impaired (collective assessment)	5,329	1,206
		Low risk	Lifetime ECL – not credit impaired	16,917	5,179
		Loss (Note 2)	Credit-impaired	–	278
				22,246	6,663
Other receivables and receivables from payment intermediaries	22	(Note 3)	12m ECL	11,758	16,788
Amounts due from related parties – Trade related	23	(Note 1)	Lifetime ECL – not credit impaired	14,071	11,274
Other financial assets at amortised cost	24	(Note 3)	12m ECL	357,910	–
Time deposits	25	(Note 3)	12m ECL	1,455,986	715,329
Bank balances and cash	25	(Note 3)	12m ECL	903,500	1,952,827
				2,765,471	2,702,881

Notes:

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

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis as at 31 December 2022 and 2021 within lifetime ECL (not credit-impaired).

34. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

1. (continued)

Internal credit rating

	As at 31 December			
	2022		2021	
	Average loss rate %	Trade receivables RMB'000	Average loss rate %	Trade receivables RMB'000
Normal risk	8	5,329	8	1,206

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The management of the Group is of the opinion that there is no material change in the observed default rates of its customers throughout the reporting period and after considering the forward-looking information, same average loss rate was adopted throughout the reporting period. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, the Group recognised credit loss allowance of approximately RMB675,000 for trade receivables based on collective assessment (2021: reversal of credit loss allowance of approximately RMB588,000).

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

	Lifetime ECL (credit-impaired) RMB'000	Lifetime ECL – (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	1,943	856	2,799
– impairment losses recognised (reversed)	278	(588)	(310)
– write-off	(1,943)	–	(1,943)
As at 31 December 2021	278	268	546
– impairment losses recognised	–	675	675
– write-off	(278)	–	(278)
As at 31 December 2022	–	943	943

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

Credit losses allowance for trade related balances with related parties as at 31 December 2022 and 2021 was not material, considering the consistently low historical default rate in connection with payments. In addition, the Controlling Shareholders agreed to provide financial support to the related parties to meet in full their obligation as necessary, the probability of default and loss given default are assessed as low.

2. The loss allowance amounts of the credit-impaired trade receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future losses.

34. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

3. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables, other financial assets at amortised cost, time deposits and bank balances by assessment of probability of default. During the years ended 31 December 2022 and 2021, in view of the nature of the balance and historical default rate and forward looking information, the Group considers the provision of impairment allowance for these balances are insignificant.

Liquidity risk

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

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

	Weighted average effective interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 year	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022							
Trade and other payables	–	185,130	–	–	–	185,130	185,130
Amounts due to related parties	–	66,548	–	–	–	66,548	66,548
Lease liabilities	4.75	2,021	4,809	11,038	–	17,868	16,614
		253,699	4,809	11,038	–	269,546	268,292
At 31 December 2021							
Trade and other payables	–	225,964	–	–	–	225,964	225,964
Amounts due to related parties	–	76,765	–	–	–	76,765	76,765
Lease liabilities	4.75	1,524	4,569	9,928	–	16,021	14,909
		304,253	4,569	9,928	–	318,750	317,638

34. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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

Financial assets	31 December 2022 RMB'000	31 December 2021 RMB'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial asset at FVTPL	86,469	66,900	Level 3	Market approach by applying market multiples such as the ratio of market capital to EBITDA from comparable companies. The inputs are probability of IPO, redemption and liquidation, the risk-free interest rate and expected volatility.	Expected volatility of 43.96% (31 December 2021: 39.59%), determined by reference to the expected volatility of comparable companies. (Note i)
Financial asset at FVTPL	59,562	N/A	Level 3	Market approach by applying market multiples such as the ratio of market capital to sales from comparable companies. The inputs are probability of IPO, redemption and liquidation, the risk-free interest rate and expected volatility.	Expected volatility of 43.67% determined by reference to the expected volatility of comparable companies. (Note ii)

Notes:

(i) If the expected volatility of the comparable companies had been 5% higher/lower while all other variables were held constant, the Group's fair value of financial assets at FVTPL as at 31 December 2022 would have increased/decreased by approximately RMB900 (31 December 2021: RMB92,750).

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

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

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

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

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	Amounts due to related parties	Accrued issue cost	Interest payable	Borrowing	Dividend payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	6,879	9,918	4,394	–	300,000	–	321,191
Financing cash flows	(5,806)	(9,918)	(5,119)	(812)	(300,000)	(58,667)	(380,322)
Finance costs	801	–	–	812	–	–	1,613
Issue cost accruals	–	–	2,198	–	–	–	2,198
Dividends declared	–	–	–	–	–	58,667	58,667
New lease entered	13,035	–	–	–	–	–	13,035
At 31 December 2021	14,909	–	1,473	–	–	–	16,382
Financing cash flows	(7,929)	–	(1,473)	–	–	(96,133)	(105,535)
Finance costs	863	–	–	–	–	–	863
Dividends declared	–	–	–	–	–	96,133	96,133
New lease entered	8,771	–	–	–	–	–	8,771
At 31 December 2022	**16,614**	**–**	**–**	**–**	**–**	**–**	**16,614**

36. CAPITAL COMMITMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,172**	8,162

37. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and Note 23 to the consolidated financial statements. Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales to related parties (Note)		
– Guangzhou Liby Group Company Limited	87,311	134,249
– Guangdong Liby Washing Products Company Limited	68,202	79,984
– Shanghai Liby Shiye Company Limited	34,659	38,981
– Tianjin Liby Product Sales Company Limited	90	3,164
– Guangzhou Liby (Panyu) Company Limited	1,267	2,515
– Xinxiang Liby Shiye Company Limited	143	302
– Maanshan Liby Rihua Company Limited	383	2,390
– Chengdu Liby Shiye Company Limited	5,192	5,134
– Nanjing Liby Rihua Company Limited	1,797	2,957
– Liby Rihua Company Limited	20	743
– Guangzhou Conghua Liby Rihua Company Limited	–	8
	199,064	270,427
Purchase from related parties (Note)		
– Xinxiang Liby Shiye Company Limited	39,497	46,536
– Guangzhou Liby (Panyu) Company Limited	42,602	39,231
– Maanshan Liby Rihua Company Limited	40,905	45,765
– Siping Liby Rihua Company Limited	12,231	11,805
– Liby Rihua Company Limited	4,312	17,537
– Shanghai New COGI Cosmetic Co., Ltd.	–	893
– Sichuan Liby Shiye Company Limited	12,738	11,171
– Guangzhou Zhi Yun COGI bio-technology Company Limited	667	1,261
	152,952	174,199
Sales support service expense (Note)		
– Guangzhou Liby Group Company Limited	26,700	24,000
Warehousing service expense (Note)		
– Guangzhou Liby Group Company Limited	9,000	9,000
IT service expense (Note)		
– Guangzhou Liby Group Company Limited	2,300	2,300

37. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Expenses relating to short-term leases (Note)		
– Shanghai New COGI Cosmetic Co., Ltd.	**415**	25
Payment of lease liabilities (Note)		
– Guangzhou Liby Group Company Limited	**4,828**	2,472
– Guangzhou Liby (Panyu) Company Limited	**2,025**	2,025
	6,853	4,497
Property management expense (Note)		
– Guangzhou Zhanze Property Management Company Limited	**1,786**	1,240

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

(b) Compensation of key management personnel

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

38. PARTICULARS OF SUBSIDIARIES

As at 31 December 2022 and 2021, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

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

38. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiaries	Place and date of establishment/ incorporations and place of operation	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at 31 December 2022	2021	Principal activities
Indirectly held: (continued)					
Guangzhou Cheerwin Technology (wholly-owned domestic enterprise) (Note b)	The PRC 23 June 2022	RMB5,000,000	100%	–	Sales of daily cleaning products
Guangzhou Beibeijian (wholly-owned domestic enterprise) (Note b)	The PRC 23 June 2022	RMB1,000,000	100%	–	Sales of baby products
Guangzhou Chuangxingli (wholly-owned domestic enterprise) (Note b)	The PRC 23 June 2022	RMB1,000,000	100%	–	Sales of daily cleaning products
Shenzhen Zhuazhua (Incorporated domestic enterprise) (Note c)	The PRC 6 April 2015	RMB7,537,670	60.625%	–	Sales of pet products

Notes:

(a) These subsidiaries were established in the PRC on 17 September 2021.

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

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

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

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

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	2,265,193	1,768,599
CURRENT ASSETS		
Other receivables	1	5,874
Amount due from a subsidiary	–	176
Time deposits	–	605,329
Bank balances and cash	47,376	39,927
	47,377	651,306
CURRENT LIABILITIES		
Other payables	790	6,352
Amount due to a subsidiary	53,942	51,031
	54,732	57,383
NET CURRENT (LIABILITIES) ASSETS	(7,355)	593,923
NET ASSETS	2,257,838	2,362,522
CAPITAL AND RESERVES		
Share capital (Note 29)	2	2
Reserves	2,257,836	2,362,520
TOTAL EQUITY	2,257,838	2,362,522

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

Movement in the Company's reserves is as follows:

	Share premium RMB'000	Capital reserves RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	1,550	29,716	–	(37,967)	(6,701)
Loss and other comprehensive expense for the year	–	–	–	(42,970)	(42,970)
Issue of new shares by the Company upon share offer in the Listing	2,598,217	–	–	–	2,598,217
Transaction costs attributable to issue of new shares	(134,456)	–	–	–	(134,456)
Dividends recognised as distribution (Note 13)	–	–	–	(58,667)	(58,667)
Recognition of share-based payment	–	–	7,097	–	7,097
At 31 December 2021	2,465,311	29,716	7,097	(139,604)	2,362,520
Loss and other comprehensive expense for the year	–	–	–	(12,895)	(12,895)
Dividends recognised as distribution (Note 13)	–	–	–	(96,133)	(96,133)
Recognition of share-based payment (Note 30)	–	–	4,344	–	4,344
At 31 December 2022	**2,465,311**	**29,716**	**11,441**	**(248,632)**	**2,257,836**