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CHEERWIN

Cheerwin Group Limited

朝雲集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6601)

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND ENTERING INTO NEW CONTINUING CONNECTED TRANSACTIONS

SUMMARY

Reference is made to the prospectus of the Company dated 26 February 2021, in respect of the Existing Continuing Connected Transaction Agreements of the Group.

Since (i) the terms of the Existing Continuing Connected Transaction Agreements will expire on 31 December 2023, and the Company expects such transactions will continue thereafter; and (ii) the Company proposes to enter into one new framework agreement, the Testing and Consultation Services Framework Agreement, with Mr. KX Chen and Mr. KC Chen for themselves and on behalf of their associates, to meet its business needs and development plan, the Board announces that on 23 November 2023 (after trading hours), the Group entered into the New Continuing Connected Transaction Agreements with Mr. KX Chen and Mr. KC Chen.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouses (namely Ms. Li and Ms. Ma) collectively hold the entire issued share capital of Cheerwin Global BVI, which in turn holds approximately 74.25% of the issued Shares. Therefore, Mr. KX Chen and Mr. KC Chen, are connected persons of the Company under the Listing Rules. Accordingly, entering into the New Continuing Connected Transaction Agreements with Mr. KX Chen and Mr. KC Chen, constitutes connected transactions of the Company.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the New Continuing Connected Transactions for the three years ending 31 December 2026 respectively referred to in sub-sections A to C in the section headed “II. Details of New Continuing Connected Transactions” of this announcement exceed 0.1% but less than 5%, they constitute Partially-Exempt Continuing Connected Transactions. The Partially-Exempt Continuing Connected Transactions and their respective Proposed Caps are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the New Continuing Connected Transactions for the three years ending 31 December 2026 respectively referred to in sub-sections D to E in the section headed “II. Details of New Continuing Connected Transactions” of this announcement exceed 5%, they constitute Non-Exempt Continuing Connected Transactions. The Non-Exempt Continuing Connected Transactions and their Proposed Caps are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Non-Exempt Continuing Connected Transactions. As at the date of this announcement, Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouse, Ms. Li and Ms. Ma, hold 6.5%, 3.5%, 58.5% and 31.5%, respectively, of Cheerwin Global BVI, which in turn owns approximately 74.25% of the issued Shares. Pursuant to the Stock Exchange’s Guidance Letter GL89-16, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI are presumed to be a group of Controlling Shareholders by virtue of their holdings through a common investment vehicle as well as their spousal relationships. Further, as at the date of this announcement, Ms. Chan Danxia (being the daughter of Mr. KC Chen), also owns approximately 0.30% of the issued Shares. In view of the relationships set out above, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma, Cheerwin Global BVI and Ms. Chen Danxia will abstain from voting on the resolutions in relation to the Non-Exempt Continuing Connected Transactions at the EGM. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, save as Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma, Cheerwin Global BVI and Ms. Chen Danxia, no Shareholder has a material interest in the resolutions in respect of the Non-Exempt Continuing Connected Transactions or should be required to abstain from voting on the resolutions to be proposed at the EGM.

A circular containing, inter alia, (i) further details of the Non-Exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the relevant Proposed Caps; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 14 December 2023.

I. INTRODUCTION

Reference is made to the prospectus of the Company dated 26 February 2021, in respect of the Existing Continuing Connected Transaction Agreements of the Group.

Since (i) the terms of the Existing Continuing Connected Transaction Agreements will expire on 31 December 2023, and the Company expects such transactions will continue thereafter; and (ii) the Company proposes to enter into one new framework agreement, the Testing and Consultation Services Framework Agreement, with Mr. KX Chen and Mr. KC Chen for themselves and on behalf of their associates, to meet its business needs and development plan, the Board announces that on 23 November 2023 (after trading hours), the Group entered into the New Continuing Connected Transaction Agreements with Mr. KX Chen and Mr. KC Chen.

As at the date of this announcement, Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouses (namely Ms. Li and Ms. Ma) collectively hold the entire issued share capital of Cheerwin Global BVI, which in turn holds approximately 74.25% of the issued Shares.

Therefore, Mr. KX Chen and Mr. KC Chen, are connected persons of the Company under the Listing Rules. Accordingly, entering into the New Continuing Connected Transaction Agreements with Mr. KX Chen and Mr. KC Chen, constitutes connected transactions of the Company.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the New Continuing Connected Transactions for the three years ending 31 December 2026 respectively referred to in sub-sections A to C in the section headed “II. Details of New Continuing Connected Transactions” of this announcement exceed 0.1% but less than 5%, they constitute Partially-Exempt Continuing Connected Transactions. The Partially-Exempt Continuing Connected Transactions and their respective Proposed Caps are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the New Continuing Connected Transactions for the three years ending 31 December 2026 respectively referred to in sub-sections D to E in the section headed “II. Details of New Continuing Connected Transactions” of this announcement exceed 5%, they constitute Non-Exempt Continuing Connected Transactions. The Non-Exempt Continuing Connected Transactions and their Proposed Caps are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising the independent non-executive Directors (namely Dr. Yu Rong, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan) has been established by the Company to advise the Independent Shareholders, and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and their respective Proposed Caps. It is expected that a circular containing, among other things, further details of the Non-Exempt Continuing Connected Transactions, together with the recommendations of the Independent Board Committee, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders on or before 14 December 2023.

Further details of the Existing Continuing Connected Transactions, the New Continuing Connected Transactions, the New Continuing Connected Transaction Agreements, the Existing Caps, the Proposed Caps and the actual historical transaction amounts under such Existing Continuing Connected Transaction Agreements for the relevant periods are set out below.

II. DETAILS OF NEW CONTINUING CONNECTED TRANSACTIONS

The following table sets forth the background of the relevant connected parties for the respective New Continuing Connected Transactions:

Name of the connected parties	Connected parties' relationship with the Group
Mr. KX Chen and Mr. KC Chen	<p>Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouse, Ms. Li and Ms. Ma, hold 6.5%, 3.5%, 58.5% and 31.5%, respectively, of Cheerwin Global BVI, which in turn owns approximately 74.25% of the issued Shares. Pursuant to the Stock Exchange's Guidance Letter GL89-16, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI are presumed to be a group of Controlling Shareholders by virtue of their holdings through a common investment vehicle as well as their spousal relationships.</p> <p>Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma have also entered into a concert parties arrangement letter dated 28 August 2020, pursuant to which they confirmed their agreement to act in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the members of the Group.</p> <p>Therefore, Mr. KX Chen and Mr. KC Chen are connected persons of the Company under the Listing Rules.</p>

A summary of the Proposed Caps for each of the New Continuing Connected Transactions is set out below:

	Year ending 31 December 2024 <i>RMB'000</i>	Year ending 31 December 2025 <i>RMB'000</i>	Year ending 31 December 2026 <i>RMB'000</i>
Category I Transactions – Partially-Exempt Continuing Connected Transactions			
(a) New Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen ⁽¹⁾	11,400	11,700	12,100
(b) New Ancillary Service Framework Agreement with Mr. KX Chen and Mr. KC Chen ⁽¹⁾	46,700	49,100	51,500
(c) Testing and Consultation Services Framework Agreement with Mr. KX Chen and Mr. KC Chen ⁽¹⁾	2,500	3,000	3,500
Category II Transactions – Non-Exempt Continuing Connected Transactions			
(d) New Sales Framework Agreement with Mr. KX Chen and Mr. KC Chen ⁽²⁾	224,100	257,700	296,400
(e) New Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen ⁽²⁾	172,600	193,300	216,500

Note (1): The relevant New Continuing Connected Transaction is a Partially-Exempt Continuing Connected Transaction and is subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, because one or more of the applicable percentage ratios as stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the relevant New Continuing Connected Transaction exceed 0.1% but less than 5%.

Note (2): The relevant New Continuing Connected Transaction is a Non-Exempt Continuing Connected Transaction and is subject to reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, because one or more of the applicable percentage ratios as stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the relevant New Continuing Connected Transaction exceed 5%.

CATEGORY I TRANSACTIONS – PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. New Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen

1. *Principal terms*

Date	:	23 November 2023 (after trading hours)
Parties	:	(1) The Company (for itself and on behalf of its subsidiaries); and (2) Mr. KX Chen and Mr. KC Chen (for themselves and on behalf of their associates).
Duration	:	1 January 2024 to 31 December 2026
Subject matter	:	The Group agreed to lease properties and receive property management services from Chens' Associates for office premises, warehouses and production plants.
Price determination	:	The rentals shall be determined with reference to the then market price of properties of comparable size, furnishings and fittings, and facilities, in the vicinity which are available to independent third parties, and 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.
Transaction principles	:	The Group and the relevant Chens' Associates will enter into separate lease and property management services agreements which will set out specific terms and conditions (including but not limited to location of the leased property, the leased area, the terms, rent, settlement terms, etc.) according to the principles in the New Property Services Framework Agreement.

2. *Historical data and Proposed Caps*

The table below summarises the historical transaction amounts and the Existing Caps under the Property Services Framework Agreement:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Year ending 31 December 2023 RMB'000
Existing Caps	8,500	9,300	9,400
Actual transaction amount ⁽²⁾ (approximately)	5,762	9,054	4,367 ⁽¹⁾

Notes:

- (1) The figure represents the unaudited historical transaction amount for the six months ended 30 June 2023 based on the Interim Report.
- (2) The historical figures set out in the above table comprise: (i) in respect of lease of properties from Chens' Associates with a term of one year or less, the estimated rental expenses paid by the Group in that year; (ii) in respect of lease of properties from Chens' Associates with a term of more than one year, the estimated total value of right-of-use assets relating to the properties leased in the year; and (iii) the relevant comprehensive property management fees relating to the leased properties paid by the Group to Chens' Associates (if any).

The following sets forth the Proposed Caps under the New Property Services Framework Agreement:

	Year ending 31 December 2024 RMB'000	Year ending 31 December 2025 RMB'000	Year ending 31 December 2026 RMB'000
Proposed Caps ⁽¹⁾	11,400	11,700	12,100

Note (1): The relevant Proposed Caps set out in the above table comprise: (i) in respect of lease of properties from Chens' Associates with a term of one year or less, the estimated rental expenses to be paid by the Group in that year; (ii) in respect of lease of properties from Chens' Associates with a term of more than one year, the estimated total value of right-of-use assets relating to the properties to be leased in the year; and (iii) the relevant comprehensive property management fees relating to the leased properties to be paid by the Group to Chens' Associates (if any).

The Proposed Caps have been prepared by the Company primarily based on:

- (i) the historical transaction amounts for the three years ending 31 December 2023;
- (ii) the prevailing market rate of the rental expenses and/or property management fees of comparable properties of similar size and with similar attributes in the vicinity;

- (iii) expected increase in rental expenses and property management fees of up to 10.0% per annum for six existing rental properties after arm's length negotiation for the three years ending 31 December 2026; and
- (iv) the rentals and/or property management fees of expected newly leased properties from Chens' Associates for the three years ending 31 December 2026, including three new properties to be leased as offices and production facilities with a total estimated gross floor area of approximately 2,000 square metres.

3. *Reasons and benefits for the transactions*

The Group has entered into certain lease agreements with the Chens' Associates for the use of its business operations prior to its listing and has entered into relevant lease agreements under the Property Services Framework Agreement subsequent to its listing. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

4. *Listing Rule Implications*

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for this New Continuing Connected Transaction for the three years ending 31 December 2026 exceed 0.1% but less than 5%, it constitutes Partially-Exempt Continuing Connected Transaction. The Partially-Exempt Continuing Connected Transaction and its Proposed Caps is subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As this New Continuing Connected Transaction for the three years ending 31 December 2026 is a Partially-Exempt Continuing Connected Transaction and the Proposed Caps are not subject to the approval of Independent Shareholders, hence the New Property Services Framework Agreement is unconditional.

B. New Ancillary Service Framework Agreement with Mr. KX Chen and Mr. KC Chen

1. *Principal terms*

- Date** : 23 November 2023 (after trading hours)
- Parties** : (1) The Company (for itself and on behalf of its subsidiaries); and
- (2) Mr. KX Chen and Mr. KC Chen (for and on behalf of their associates).

- Duration** : 1 January 2024 to 31 December 2026
- Subject matter** : The Group agreed to engage and Chens' Associates agreed to provide certain ancillary services including (i) sales support services, such as implementation of the Group's sales promotion plan and managing store display at the points of sales; (ii) management of warehouse services; and (iii) IT services, such as implementation and maintenance of the Group's IT servers and systems.
- Price determination** : For sales support services, the service fee payable by the Group to Chens' Associates shall be determined with reference to the actual sales support expenses incurred by Chens' Associates 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 the Group to Chens' Associates shall be determined with reference to the actual warehouse costs incurred by Chens' Associates and in proportion to the storage space occupied by the Group over the total area of the relevant warehouses, and shall not be higher than the indicative fee as guided by the relevant regulatory authorities (if any).
- For IT services, the service fee payable by the Group to Chens' Associates shall be determined in accordance to the actual usage of the relevant software procured by Chens' Associates and the time rates of the IT technicians of Chens' Associates in providing such services to the Group, with reference to time rates charged by independent third parties that provide similar IT services, and shall not be higher than the indicative fee as guided by the relevant regulatory authorities (if any).

Transaction principles : Chens' Associates have agreed to provide the Group with a report on the actual cost incurred by them in relation to their provision of ancillary services of the relevant financial year for the Group's verification of its cost base where applicable.

When and where required, the Group will also seek quotations from other service providers that are independent third parties to make sure the terms that the Group obtains from Chens' Associates shall be on normal commercial terms. The independent non-executive Directors will regularly review and reassess the service fee charged by Chens' Associates annually.

The service fee is payable annually in arrears.

2. *Historical data and Proposed Caps*

The table below summarises the historical transaction amounts and the Existing Caps under the Ancillary Service Agreement:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Year ending 31 December 2023 RMB'000
Existing Caps	35,600	38,200	44,700
Actual transaction amount (approximately)	35,300	38,000	33,525 ⁽¹⁾

Note (1): The figure represents the unaudited historical transaction amount for the six months ended 30 June 2023 based on the Interim Report.

The following sets forth the Proposed Caps under the New Ancillary Service Framework Agreement:

	Year ending 31 December 2024 RMB'000	Year ending 31 December 2025 RMB'000	Year ending 31 December 2026 RMB'000
Proposed Caps	46,700	49,100	51,500

The Proposed Caps have been prepared by the Company primarily based on:

- (i) the historical transaction amount for the three years ending 31 December 2023;

- (ii) the estimated cost incurred by Liby Group in providing the ancillary services; and
- (iii) margin and/or rates charged by independent third parties that provide similar services.

3. *Reasons and benefits for the transactions*

With the longstanding business cooperation between the Group and Chens' Associates, in particular the ancillary services between the Group and Liby Group under the current Ancillary Service Agreement, the Directors believe that the New Ancillary Service Framework Agreement is beneficial to the Group as a whole, as the Group would be able to save the costs of maintaining staff and assets in providing such services and reduce the Group's needs to make capital investment in such assets, such outsourcing of ancillary services did not and will not have any material impact on the Group's business and operation.

4. *Listing Rule Implications*

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for this New Continuing Connected Transaction for the three years ending 31 December 2026 exceed 0.1% but less than 5%, it constitutes a Partially-Exempt Continuing Connected Transaction. The Partially-Exempt Continuing Connected Transaction and its respective Proposed Caps are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As this New Continuing Connected Transaction for the three years ending 31 December 2026 is a Partially-Exempt Continuing Connected Transaction and the Proposed Caps are not subject to the approval of Independent Shareholders, the New Ancillary Service Framework Agreement is unconditional.

C. Testing and Consultation Services Framework Agreement with Mr. KX Chen and Mr. KC Chen

1. *Principal terms*

- Date** : 23 November 2023 (after trading hours)
- Parties** : (1) The Company (for itself and on behalf of its subsidiaries); and
- (2) Mr. KX Chen and Mr. KC Chen (for themselves and on behalf of their associates).

- Duration** : 1 January 2024 to 31 December 2026
- Subject matter** : The Group agreed to provide testing and consultation services for the Chens' Associates, including the provision of product testing services for daily chemical products, personal care product, pet products, drugs, disposable products, and medical-related products, and other relevant supporting and consultation services for product development, such as toxicology and safety assessment of raw materials and products, technological innovation research, product analysis, industry prospective analysis, technical services consultation and trainings, etc. in the process of product development.
- Price determination** : The fees shall be determined as follows: (1) if the PRC government has issued an indicative fees for the relevant services, the Group shall charge in accordance with the indicative services fees as guided by the PRC government; or (2) if no indicative fees have been issued by the PRC government, the service fees charged by the Group shall charge with reference to the fixed fee quotation provided to all customers of the Group.
- Transaction principles** : The Group and Chens' Associates will enter into separate business agreements which will set out specific terms and services to be provided according to the principles in the Testing and Consultation Services Framework Agreement.
- The Group will provide a monthly invoice to Chens' Associates, and they shall make payment via wire transfer within 15 days upon receiving the relevant invoice.

2. *Proposed Caps*

The following sets forth the Proposed Caps under the Testing and Consultation Services Framework Agreement:

	Year ending 31 December 2024 RMB'000	Year ending 31 December 2025 RMB'000	Year ending 31 December 2026 RMB'000
Proposed Caps	2,500	3,000	3,500

The Proposed Caps have been prepared by the Company primarily based on:

- (i) the historical transaction amounts between Guangdong Zhongkeyan and Chens' Associates for the provision of testing and consultation services prior to the acquisition by the Group in March 2023;
- (ii) the potential business demand transactions between Guangdong Zhongkeyan and Chens' Associates; and
- (iii) prevailing market price for the for the provision of similar testing and consultation services.

3. *Reasons and benefits for the transactions*

With an aim to further strengthen the Group's competitiveness in terms of its scientific and technological research, the Group has acquired Guangdong Zhongkeyan in March 2023 (the "**Acquisition**"). Guangdong Zhongkeyan has an extensive experience in scientific analysis, research and testing of products prior to the Acquisition. Given the established business relationship between Guangdong Zhongkeyan and the Chens' Associates prior to the Acquisition, the Group intends to enter into the Testing and Consultation Services Framework Agreement, in which Guangdong Zhongkeyan will provide product testing services and also other relevant supporting and consultation services for product development to the Chens' Associates so as to capture their potential business needs. The Directors also believe that this can facilitate the Group's development in the area of scientific and technological research as well.

4. Listing Rule Implications

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for this New Continuing Connected Transaction for the three years ending 31 December 2026 exceed 0.1% but less than 5%, it constitutes Partially-Exempt Continuing Connected Transaction. The Partially-Exempt Continuing Connected Transaction and its respective Proposed Caps is subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As this New Continuing Connected Transaction for the three years ending 31 December 2026 is a Partially-Exempt Continuing Connected Transaction and the Proposed Caps are not subject to the approval of Independent Shareholders, hence the Testing and Consultation Services Framework Agreement is unconditional.

CATEGORY II TRANSACTIONS – NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

D. New Sales Framework Agreement with Mr. KX Chen and Mr. KC Chen

1. Principal terms

Date	:	23 November 2023 (after trading hours)
Parties	:	(1) The Company (for itself and on behalf of its subsidiaries); and (2) Mr. KX Chen and Mr. KC Chen (for themselves and on behalf of their associates).
Duration	:	1 January 2024 to 31 December 2026
Subject matter	:	The Group agreed to sell its products to the Chens' Associates in the ordinary course of business.

Price determination : The Group prices its sales to Chens' Associates based on its selling price to its customers under reasonable margin taking into account, (1) the direct or indirect costs (including but not limited to logistics and distribution costs, salary and wages, information fees, display fees and annual maintenance fees) incurred by Chens' Associates in dealing with key accounts and other customers (if applicable); and (2) with reference to the margins for products of comparable quality, specifications, and quantities charged by independent third party distributors that mainly deal with key accounts. The Group provides recommended retail price for the customers of Chens' Associates, such as key accounts.

Additional fees shall be jointly confirmed by both parties, and shall be determined based on the fees charged by other independent third parties for similar products and the prices of similar products in the market. The fees shall not exceed the standard fees specified by the relevant regulatory authorities (if applicable).

Transaction principles : Both parties shall agree on the payment price for individual agreements as and when required, based on the principles of fairness, reasonableness, and commercial practice. All transactions between the parties shall be conducted on general commercial terms as part of their regular business.

The Group do not generally set minimum purchase requirement or sales target for Chens' Associates, and the Group do not provide any incentive scheme for them.

The Group will provide monthly invoice to Chens' Associates, and they shall make payment via wire transfer within 45 days upon receiving the relevant invoice.

2. *Historical data and Proposed Caps*

The table below summarises the historical transaction amounts and the Existing Caps under the Sales Framework Agreement:

	Year ended 31 December 2021	Year ended 31 December 2022	Year ending 31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Caps	437,700	512,000	639,800
Actual transaction amount (approximately)	270,427	199,064	145,535 ⁽¹⁾

Note (1): The figure represents the unaudited historical transaction amount for the six months ended 30 June 2023 based on the Interim Report.

The following sets forth the Proposed Caps under the New Sales Framework Agreement:

	Year ending 31 December 2024	Year ending 31 December 2025	Year ending 31 December 2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed Caps	224,100	257,700	296,400

The Proposed Caps have been prepared by the Company primarily based on:

- (i) historical transaction amounts of payments received by the Group under the Sales Framework Agreement for the sales of their products and the percentage of revenue generated from Liby Group in proportion to the total revenue of the Group;
- (ii) the potential revenue to be generated from the Chens' Associates for the sales of the Group's products; and
- (iii) the projected sales volume for the three years ending 31 December 2026 after taking into account the anticipated growth across the Group customer base through their continuous product upgrade and increasing consumer awareness towards household and personal care since COVID-19 pandemic.

3. *Reasons and benefits for the transactions*

The Group entered into the New Sales Framework Agreement with Chens' Associates in order to leverage on the network of Chens' Associates, and in particular of Liby Group, which includes access to many key accounts such as leading national and regional hypermarkets, supermarkets, department stores and convenience store operators.

The transactions contemplated under the New Sales Framework Agreement are beneficial for the business growth of the Group, as the sales channels of Chens' Associates would allow the Group to utilise their sizeable base of customers and help increase the coverage and demand of the Group's products in the market. The Directors believe that the sales to Chens' Associates would provide the Group with stable source of income.

4. *Listing Rule Implications*

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for this New Continuing Connected Transaction for the three years ending 31 December 2026 exceed 5%, it constitutes a Non-Exempt Continuing Connected Transaction of the Company. This Non-Exempt Continuing Connected Transaction and its Proposed Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As this New Continuing Connected Transaction for the three years ending 31 December 2026 is a Non-Exempt Continuing Connected Transaction and the Proposed Caps are subject to the approval of the Independent Shareholders, the New Sales Framework Agreement is conditional upon the said resolution being passed at the EGM.

E. New Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen

1. *Principal terms*

Date	:	23 November 2023 (after trading hours)
Parties	:	(1) The Company (for itself and on behalf of its subsidiaries); and (2) Mr. KX Chen and Mr. KC Chen (for themselves and on behalf of their associates).
Duration	:	1 January 2024 to 31 December 2026
Subject matter	:	The Group agreed to outsource the production of certain products to Chens' Associates in the ordinary course of business.

Price determination : The purchase price payable by the Group to the Chens' Associates 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, which the Group obtained from independent third party manufactures in their daily operations.

The Group would run a price quote process to check price quotes from one to three independent third party qualified suppliers for the products of same specification and quality. Provided that both the Chens' Associates and independent third party suppliers are able to deliver products of similar quality within the Group's specified timeframe, if a lower price exists, the Group would either engage independent third party supplier to carry out the work or negotiate with the Chens' Associates for price adjustments accordingly.

Transaction principle : The parties will enter into separate business agreements which will set out specific terms and services to be provided according to the New Outsourcing Framework Agreement.

The Chens' Associates will provide monthly invoice to the Group, and the Group shall make payment via wire transfer within 45 days from the first day of each month.

2. *Historical data and Proposed Caps*

The table below summarises the historical transaction amounts and the Existing Caps under the Outsourcing Framework Agreement:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000	Year ending 31 December 2023 RMB'000
Existing Caps	279,900	337,500	410,100
Actual transaction amount (approximately)	174,199	152,952	68,513 ⁽¹⁾

Note (1): The figure represents the unaudited historical transaction amount for the six months ended 30 June 2023 based on the Interim Report.

The following sets forth the Proposed Caps under the New Outsourcing Framework Agreement:

	Year ending 31 December 2024 RMB'000	Year ending 31 December 2025 RMB'000	Year ending 31 December 2026 RMB'000
Proposed Caps	172,600	193,300	216,500

The Proposed Caps have been prepared by the Company primarily based on:

- (i) the historical amount of payments paid by the Group for the procurement of products and the percentage of outsourcing costs incurred from purchasing from the Chens' Associates in proportion to the Group's total outsourcing costs; and
- (ii) the expected demand for the Group's products for the three years ending 31 December 2026 based on the anticipated expansion of the Group's business through the Group's continuous product upgrade and due to increasing consumer awareness towards household and personal care since COVID-19 pandemic.

3. *Reasons and benefits for the transactions*

Given the history of business relationship between the Group and the Chens' Associates, the Chens' Associates have supplied the Group with certain products, such as household care and personal care, in the past. Taking into account (i) the experience and reputation of the Chens' Associates in the industry; (ii) the track record of the Chens' Associates in supplying the products to the Group, particularly their reliability in delivery of orders in a timely manner, their product quality and their adequacy in production capacity; and (iii) the Chens' Associates' in depth understanding of the Group's product requirements, the Directors believe that they can provide the required products that suit the Group's needs most appropriately.

4. *Listing Rule Implications*

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for this New Continuing Connected Transaction for the three years ending 31 December 2026 exceed 5%, it constitutes a Non-Exempt Continuing Connected Transaction. This Non-Exempt Continuing Connected Transaction and its Proposed Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As this New Continuing Connected Transaction for the three years ending 31 December 2026 is a Non-Exempt Continuing Connected Transaction and the Proposed Caps are subject to the approval of the Independent Shareholders, the New Outsourcing Framework Agreement is conditional upon the said resolution being passed at the EGM.

III. IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the New Continuing Connected Transactions for the three years ending 31 December 2026 respectively referred to in sub-sections A to C in the section headed "II. Details of New Continuing Connected Transactions" of this announcement exceed 0.1% but less than 5%, they constitute Partially-Exempt Continuing Connected Transactions. The Partially-Exempt Continuing Connected Transactions and their respective Proposed Caps are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Proposed Caps for the New Continuing Connected Transactions for the three years ending 31 December 2026 referred to in sub-sections D to E in the section headed "II. Details of New Continuing Connected Transactions" of this announcement exceed 5%, they constitute Non-Exempt Continuing Connected Transactions. The Non-Exempt Continuing Connected Transactions and their Proposed Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. INFORMATION ABOUT THE PARTIES UNDER THE NEW CONTINUING CONNECTED TRANSACTION AGREEMENTS

The Company and the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The Group principally engages in development and manufacturing of a variety of household care, pet and pet products and personal care products.

Mr. KX Chen and Mr. KC Chen

Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouse, Ms. Li and Ms. Ma, hold 6.5%, 3.5%, 58.5% and 31.5%, respectively, of Cheerwin Global BVI, which in turn owns approximately 74.25% of the issued Shares, pursuant to the Stock Exchange's Guidance Letter GL89-16, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI are presumed to be a group of Controlling Shareholders by virtue of their holdings through a common investment vehicle as well as their spousal relationships.

Mr. KX Chen, Mr. KC Chen, Ms. Li and Ms. Ma have also entered into a concert parties arrangement letter dated 28 August 2020, pursuant to which they confirmed their agreement to act in concert in relation to the exercise of their voting rights at the meetings of the Shareholders of the Company.

V. GENERAL

Two of the Directors, Ms. Chen Danxia (being the daughter of Mr. KC Chen) and Mr. Chen Zexing (being the son of Mr. KX Chen), in view of their relationship with Mr. KC Chen and Mr. KX Chen, have abstained from voting on the board resolutions for approving the New Continuing Connected Transactions and the Proposed Caps. Save as disclosed above, none of the Directors has abstained from voting on such board resolutions.

The Directors (in respect of the Partially-Exempt Continuing Connected Transactions, excluding the Directors who have abstained from voting but including the independent non-executive Directors; and in respect of the Non-Exempt Continuing Connected Transactions, excluding the Directors who have abstained from voting and the independent non-executive Directors) have confirmed that the New Continuing Connected Transaction Agreements are subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in its ordinary and usual course of business and are either (i) on normal commercial terms or better; or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) Independent Third Parties, and are of the view that the terms of the New Continuing Connected Transaction Agreements, the New Continuing Connected Transactions and the relevant Proposed Caps are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Non-Exempt Continuing Connected Transactions. As at the date of this announcement, Mr. KX Chen and Mr. KC Chen, who are brothers, and their respective spouse, Ms. Li and Ms. Ma, hold 6.5%, 3.5%, 58.5% and 31.5%, respectively, of Cheerwin Global BVI, which in turn owns approximately 74.25% of the issued Shares. Pursuant to the Stock Exchange's Guidance Letter GL89-16, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma and Cheerwin Global BVI are presumed to be a group of Controlling Shareholders by virtue of their holdings through a common investment vehicle as well as their spousal relationships. Further, as at the date of this announcement, Ms. Chan Danxia (being the daughter of Mr. KC Chen), also owns approximately 0.30% of the issued Shares. In view of the relationships set out above, Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma, Cheerwin Global BVI and Ms. Chen Danxia will abstain from voting on the resolutions in relation to the Non-Exempt Continuing Connected Transactions at the EGM. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, save as Mr. KX Chen, Mr. KC Chen, Ms. Li, Ms. Ma, Cheerwin Global BVI and Ms. Chen Danxia, no Shareholder has a material interest in the resolutions in respect of the Non-Exempt Continuing Connected Transactions or should be required to abstain from voting on the resolutions to be proposed at the EGM.

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising the independent non-executive Directors (namely Dr. Yu Rong, Mr. Guo Sheng and Mr. Chan Wan Tsun Adrian Alan) has been established by the Company to advise the Independent Shareholders, and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and each of their Proposed Caps.

VII. DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the Non-Exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the relevant Proposed Caps; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 14 December 2023.

VIII. DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Ancillary Service Agreement”	the ancillary service agreement dated 19 February 2021 in relation to the provision of certain ancillary services by Liby Group to the Group
“Board”	the board of Directors
“Category I Transactions”	the transactions contemplated under: <ul style="list-style-type: none">i. the New Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen;ii. the New Ancillary Service Framework Agreement with Mr. KX Chen and Mr. KC Chen; andiii. the Testing and Consultation Services Framework Agreement with Mr. KX Chen and Mr. KC Chen
“Category II Transactions”	the transactions contemplated under: <ul style="list-style-type: none">i. the New Sales Framework Agreement with Mr. KX Chen and Mr. KC Chen; andii. the New Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen
“Cheerwin Global BVI”	Cheerwin Global Limited (朝雲環球有限公司), a limited liability company incorporated in the BVI on 27 March 2018, and one of the controlling shareholders of the Company

“Chengdu Liby”	Chengdu Liby Shiye Company Limited (成都立白實業有限公司), a limited liability company established in the PRC on December 8, 2000, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, respectively
“Chens’ Associates”	Mr. KX Chen, Mr. KC Chen and their associates
“Company”	Cheerwin Group Limited (朝雲集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6601)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, inter alia, the Proposed Caps and the agreements in respect of the Non-Exempt Continuing Connected Transactions
“Existing Cap(s)”	the existing cap(s) (as applicable) for the Existing Continuing Connected Transactions Agreement
“Existing Continuing Connected Transaction Agreement(s)”	the agreement(s) dated 19 February 2021 between the Group and each of the Connected Parties in respect of the existing Continuing Connected Transactions, the terms of which will expire on 31 December 2023
“Group”	the Company and its subsidiaries
“Guangzhou Liby”	Guangzhou Liby Group Company Limited (廣州立白企業集團有限公司), a limited liability company established in the PRC on 25 February 1998, and is directly held as to 64.22% and 34.58% by Mr. KX Chen and Mr. KC Chen, our Controlling Shareholders, respectively and is indirectly held as to 1.20% by Mr. KX Chen and Mr. KC Chen through Guangdong Liby Washing, Shanghai Liby and Chengdu Liby
“Guangdong Liby Washing”	Guangdong Liby Washing Products Company Limited (廣東立白洗滌用品有限公司), a limited liability company established in the PRC on October 31, 1997, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, respectively

“Guangdong Zhongkeyan”	Guangdong Zhongkeyan Cosmetic Technology Research Company Limited* (廣東中科研化妝品技術研究有限公司), a company established under the laws of the PRC with limited liability on 19 December 2017
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising the independent non-executive Directors, namely Dr. Yu Rong, Mr. Guo Sheng, and Mr. Chan Wan Tsun Adrian Alan
“Independent Financial Adviser”	Innovax Capital Limited, a licensed corporation under the Securities and Futures Ordinance to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the Securities and Futures Ordinance, being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Sales Framework Agreement and the New Outsourcing Framework Agreement, and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Interim Report”	the interim report of the Company for the six months ended 30 June 2023
“Liby Group”	Guangzhou Liby, its subsidiaries and associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. KC Chen”	Mr. Chen Kaichen (陳凱臣), one of the founders and one of the controlling shareholders of the Company
“Mr. KX Chen”	Mr. Chen Kaixuan (陳凱旋), one of the founders and one of the controlling shareholders of the Company
“Ms. Li”	Ms. Li Ruohong (李若虹), the wife of Mr. KX Chen and one of the controlling shareholders of the Company
“Ms. Ma”	Ms. Ma Huizhen (馬惠真), the wife of Mr. KC Chen and one of the controlling shareholders of the Company

“New Ancillary Service Framework Agreement”	the ancillary services framework agreement dated 23 November 2023 in relation to the provision of certain ancillary services by Chens’ Associates to the Group
“New Continuing Connected Transactions”	the continuing connected transaction(s) of the Group under the New Continuing Connected Transaction Agreements
“New Continuing Connected Transaction Agreements”	<p>the following agreements:</p> <ul style="list-style-type: none"> <li data-bbox="643 534 1442 602">i. the New Property Services Framework Agreement with Mr. KX Chen and Mr. KC Chen; <li data-bbox="643 646 1442 715">ii. the New Ancillary Service Framework Agreement with Mr. KX Chen and Mr. KC Chen; <li data-bbox="643 759 1442 827">iii. the Testing and Consultation Services Framework Agreement with Mr. KX Chen and Mr. KC Chen; <li data-bbox="643 872 1442 940">iv. the New Sales Framework Agreement with Mr. KX Chen and Mr. KC Chen; and <li data-bbox="643 985 1442 1053">v. the New Outsourcing Framework Agreement with Mr. KX Chen and Mr. KC Chen
“New Outsourcing Framework Agreement”	the outsourcing framework agreement dated 23 November 2023 in relation to the outsourcing of the production of certain of the Group’s products to the Chens’ Associates
“New Property Services Framework Agreement”	the property services framework agreement dated 23 November 2023 in relation to the lease of properties and provision of property management services by Chens’ Associates to the Group
“New Sales Framework Agreement”	the sales framework agreement dated 23 November 2023 in relation to the sales of products to the Chens’ Associates
“Non-Exempt Continuing Connected Transaction(s)”	being those New Continuing Connected Transactions for which the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules exceed 5%, and, accordingly, are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules

“Outsourcing Framework Agreement”	the outsourcing framework agreement dated 19 February 2021 in relation to the outsource of the production of certain of the Group’s products to the Chens’ Associates
“Partially-Exempt Continuing Connected Transaction(s)”	being those New Continuing Connected Transactions for which the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules exceed 0.1% but less than 5% and, accordingly, are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
“Property Services Framework Agreement”	the property services framework agreement dated 19 February 2021 in relation to the lease of properties and provision of property management services by Chens’ Associates to the Group
“Proposed Cap(s)”	annual cap(s) for the Continuing Connected Transactions for the three years ending 31 December 2026 set out in the section headed “II. Details of New Continuing Connected Transactions” in this announcement
“Sales Framework Agreement”	the sales framework agreement dated 19 February 2021 in relation to the sale of products to Liby Group
“Shanghai Liby”	Shanghai Liby Shiye Company Limited (上海立白實業有限公司), a limited liability company established in the PRC on August 9, 2002, and is directly held as to 65.0% and 35.0% by Mr. KX Chen and Mr. KC Chen, respectively
“Share(s)”	ordinary share(s) in the capital of the Company with the nominal value of US\$0.0000002 each
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Testing and Consultation Services Framework Agreement”	the testing and consultation services framework agreement dated 23 November 2023 in relation to the provision of product testing and other consultation services in relation to product development to Chens’ Associates

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

In this announcement, the terms “associate”, “connected person”, “controlling shareholder”, “percentage ratios” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
Cheerwin Group Limited
Chen Danxia

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 23 November 2023

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

* *For identification purposes only*