藍月亮集團控股有限公司
Blue Moon Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6993

藍月亮

ANNUAL REPORT 2021

蓝月亮

Contents

Corporate Information

Board of Directors

Executive Directors

Ms. PAN Dong *(Chairman)*

Mr. LUO Qiuping *(Chief Executive Officer)*

Ms. LUO Dong

Mr. POON Kwok Leung

Ms. XIAO Haishan

Non-executive Director

Mr. CAO Wei

Independent Non-executive Directors

Mr. Bruno Robert MERCIER

Ms. NGAN Edith Manling

Mr. HU Yebi

Authorised Representatives

Ms. PAN Dong

Mr. POON Kwok Leung

Audit Committee

Ms. NGAN Edith Manling *(Chairman)*

Mr. CAO Wei

Mr. Bruno Robert MERCIER

Remuneration Committee

Mr. HU Yebi *(Chairman)*

Ms. PAN Dong

Ms. XIAO Haishan

Mr. Bruno Robert MERCIER

Ms. NGAN Edith Manling

Nomination Committee

Ms. PAN Dong *(Chairman)*

Mr. Bruno Robert MERCIER

Mr. HU Yebi

Company Secretary

Mr. POON Kwok Leung, *CPA*

Registered Office

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Headquarters and Principal Place of Business in the People's Republic of China

No. 36, Pu Nan Road

Yun Pu Industrial Zone

Huangpu District

Guangzhou

The People's Republic of China

Principal Place of Business in Hong Kong

Unit 4606, 46/F

COSCO Tower

Grand Millennium Plaza

No. 183 Queen's Road Central

Hong Kong

Stock Code

6993

Website

http://www.bluemoon.com.cn

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Legal Advisers

Norton Rose Fulbright Hong Kong
38/F, Jardine House
1 Connaught Place
Central
Hong Kong

Compliance Adviser

Somerley Capital Limited
20/F China Building
29 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Agent in the Cayman Islands

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

Financial Highlights

Key Financial Information and Financial Ratio

Key Financial Information	2021 HK$'000	2020 HK$'000
Revenue	**7,597,481**	6,996,348
Gross profit	**4,438,798**	4,513,756
Profit before income tax	**1,271,011**	1,749,647
Profit for the year/Profit attributable to equity holders of the Company	**1,014,415**	1,309,411
Earnings per share (HK cents)(Note)		
Basic	**17.49**	26.03
Diluted	**17.39**	25.97
Dividend per share (HK cents)		
Final	**13.80**	6.90
Key Financial Ratio		
Gross profit margin	**58.4%**	64.5%
Net profit margin	**13.4%**	18.7%
Current ratio	**6.4**	3.5
Return on equity	**8.4%**	18.0%
Return on assets	**6.7%**	12.6%
Dividend payout ratio	**79.7%**	30.3%

Note:

Basic earnings per share is calculated by dividing profit attributable to Blue Moon Group Holdings Limited's (the "**Company**") equity holders by the weighted average number of ordinary shares of the Company in issue.

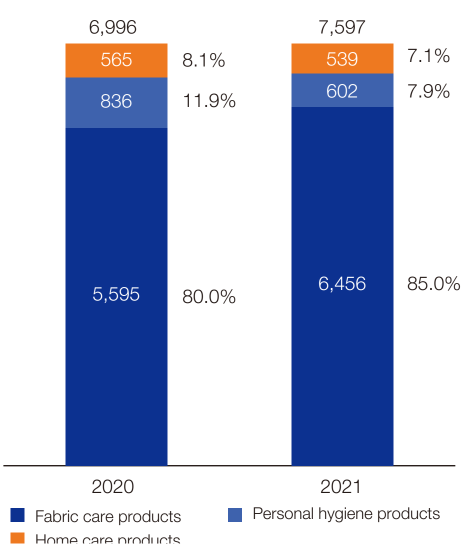
Analysis of revenue of the Group by products

Revenue by products	2021 HK$'000	2021 %	2020 HK$'000	2020 %
Fabric care products	**6,456,510**	**85.0**	5,595,885	80.0
Personal hygiene products	**601,814**	**7.9**	835,738	11.9
Home care products	**539,157**	**7.1**	564,725	8.1
Total	**7,597,481**	**100.0**	6,996,348	100

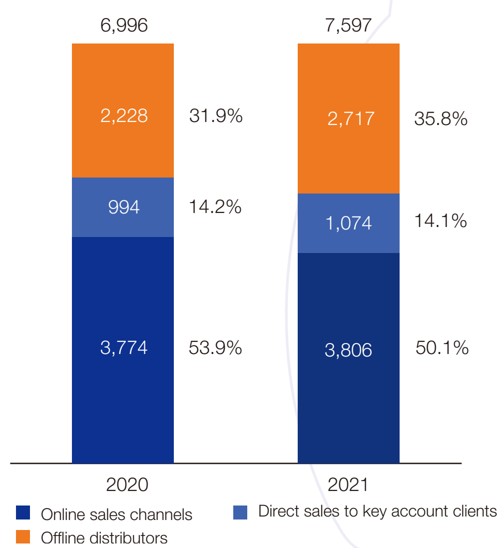
Analysis of revenue of the Group by channels

Revenue by channels	2021 HK$'000	2021 %	2020 HK$'000	2020 %
Online sales channels	**3,806,065**	**50.1**	3,774,453	53.9
Direct sales to key account clients	**1,073,686**	**14.1**	993,642	14.2
Offline distributors	**2,717,730**	**35.8**	2,228,253	31.9
Total	**7,597,481**	**100.0**	6,996,348	100.0

Revenue Breakdown by Products
(HK$ mm)



Revenue Breakdown by Channels
(HK$ mm)



Production Bases

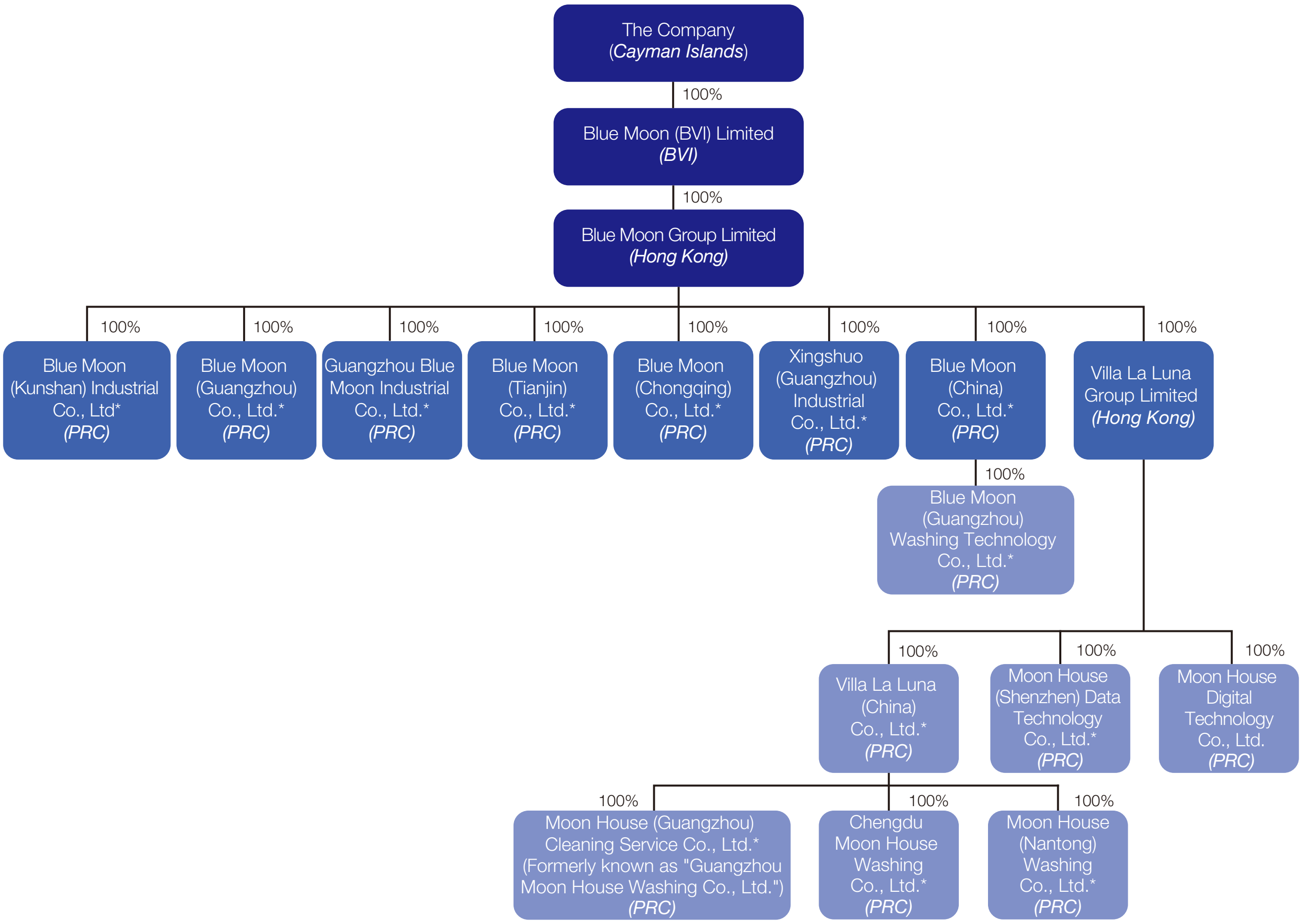
As at 31 December 2021, the Company and its subsidiaries (together, the "**Group**") had four production bases located in Guangzhou, Tianjin, Kunshan, and Chongqing of the People's Republic of China ("**PRC**"). The map below illustrates the geographic coverage of the Group's production bases in the PRC as at 31 December 2021.

Company Products

The following illustration demonstrates the coverage of the Group's product portfolio:

Corporate Structure

The corporate structure of the Group is as follows:



* English translation is for identification purpose only

Letter to the Shareholders

Dear Shareholders,

Thank you for you unwavering trust and support to Blue Moon!

The COVID-19 pandemic had significantly impacted the global economy and consumer market in 2021. The instability in several regions has resulted in fluctuations of the commodities market, thereby exposing the industry to unprecedented challenges. With heightened challenges and complications in the external situation, the Group had nonetheless adhered to its established directions and policies to breed innovation and reform in a systematic and continuous manner, which have brought about remarkable results.

The Group achieved a stable and healthy growth in 2021, and recorded a revenue of HK$7,597 million, representing a year-on-year increase of 8.6% as compared to that of 2020. Although there was a significant increase in the price of raw materials, the Group leveraged various management policies, such as supply chain management and pricing strategy, and have successfully offsetted part of the impacts on costs. As a result, the Group achieved a net profit of HK$1,014 million in 2021.

Broadening and upgrading the categories of product to consolidate the market position

In 2021, leveraging on our expert knowledge, observation on consumer behavior and innovation, we launched a number of new products, including bacteria and odour removal laundry detergent (除菌去味洗衣液), underwear laundry detergent (內衣專用洗衣液), automatic hand wash dispenser (自動洗手機), rinse-free hand wash (免洗抑菌洗手液), washing machine cleaner (洗衣機清潔劑), and multi-purpose sanitizer (多用途除菌液), so as to satisfy different consumer needs on household and personal cleaning, thereby improving our comprehensive household cleaning solution and consolidating our market position.

Consumers have continued to place immense trust in our key products. Blue Moon's liquid laundry detergent and liquid soap were ranked first in brand power index for 11 consecutive years from 2011 to 2021, while Blue Moon's liquid laundry detergent and liquid soap each had the largest comprehensive market share in their industry categories for 12 consecutive years from 2009 to 2020 and for 9 consecutive years from 2012 to 2020, respectively. Not only are our products receiving market recognition as soon as they are launched, they are also best sellers in the market and have the potential to be star items.

Consolidating the omni-channel distribution network and enhancing the penetration of products

We adhere to the omni-channel strategy, and we continuously consolidate the omni-channel distribution network and enhance the penetration of our products through optimizing traditional channels, maintaining operations on mainstream e-commerce channels, and expanding proactively to emerging channels.

We initiated reform on offline channels. We made a comprehensive change to the marketing system and corporate structure of the Group in 2021, and the reform to offline channels achieved a prominent result after just one year since the adjustment. We recorded a year-on-year increase of 14.9% for the income recorded during the second half of 2021, while the sales amount of offline distribution channels recorded a year-on-year increase of 53.9%. Our existing structure between online and offline channels is getting increasingly balanced, which will act as a further catalyst to the stable and healthy growth of the Group.

In terms of online channels, our refined operation activities paved the way for us to maintain our position as market leader. During the shopping festivals of “618” and “Singles’ Day” in 2021, Blue Moon ranked first in sales of laundry brands on main e-commerce platforms such as T-mall and JD.com.

In respect of emerging channels, we proactively explored channels such as social e-commerce, fresh food e-commerce and online livestreaming platforms. In 2021, we completed the arrangement of our nationwide O2O near field retailing structure, and we ranked first on several O2O platforms including JD Daojia (京東到家) and Meituan Shangou (美團閃購).

Expanding our services and gaining trust from consumers

We insist on knowledge-based marketing strategy, and strive to provide consumers with professional tutorials, comprehensive consultation services, and scientific washing methods around the clock through our 24-hour hotlines handled by our professional cleaning consultants, so that high quality products and scientific methods can be utilized by consumers, and accordingly continue to place their trust with us. At the same time, we are also exploring and providing professional washing and household cleaning services so as to cater for the diverse cleaning needs of consumers in a comprehensive manner.

Adherence to green development for the construction of a heart-warming society

We respond proactively to the calling of dual-carbon initiatives from the PRC government. We implement clean production processes and insist on building green factories. The Guangzhou factory is accredited as the provincial water benchmarking enterprise of 2021, while the Tianjin factory is accredited as the national “Green Factory”. In addition, we ensure that our products are environmentally friendly throughout their entire life cycles, and we also develop green products proactively, with a total of 22 products being accredited as the first batch of “China Green Products” in the industry. In terms of carbon emission management, we also received the first carbon label evaluation certificate for our products in Guangzhou.

We insist on standing by our society through thick and thin, and firmly contribute to the society with concrete actions, such as through our participation in social welfare activities and cultural and sports development, contributing to philanthropic causes against epidemic, disaster relief and assisting in the development of rural village. We received the award of “China Community Festival Responsible Brand” for 7 consecutive years.

Going forward, despite the ever-changing and complicated macro-economic situation, we remain fully confident in the long-term development of China cleaning market. We stood by our vision “to allow every family to enjoy a clean, healthy, comfortable, respectable and delightful ‘Blue Moon (藍月亮)’ lifestyle” and we will keep abreast of consumer demands for the implementation of reforms and innovative ideas, in order to promote the long-term and healthy development for our Company.

Lastly, we would like to express my gratitude once again for your support of Blue Moon. It is my sincerest wish to march into the future with every employee, customer, partner, and shareholder.

PAN Dong
Chairman

LUO Qiuping
Chief Executive Officer

Hong Kong, 29 March 2022

Management Discussion and Analysis

Business Review

In 2021, braving the challenges of the COVID-19 pandemic and high raw material prices, the Group has focused on its business strategies relating to product innovation, deepening reform on distribution channels and enhancing brand recognition and awareness. During the year, two new fabric care products were introduced to the array of products of the Group and enjoyed popular demand. The Group has also diversified its product portfolio by introducing products with new features and functions to achieve product diversification. In the year ended 31 December 2021, the revenue of the Group and in particular, revenue of the fabric care products of the Group, increased notably as compared to the year ended 31 December 2020.

In addition, the Group continued to expand its sales and distribution channels and grow its presence in online-to-offline or O2O platforms. Leveraging on the increasing tendency for customers to purchase via diversified sales channels instead of concentrating on one single channel, the Group actively engaged in business activities via various O2O platforms in 2021 to expand its customer base and capture new business opportunities. During 2021, the Group has been promoted to first-tier in the O2O platform ranking on JD Daojia (京東到家) and Meituan Shangou (美團閃購) and has also continued to engage in other leading O2O platforms. Furthermore, on JD.com and Tmall, the Group has ranked first in sales volume for household care brands and fabric care brands during the "618 Shopping Festival" and held its No. 1 position as best-seller of fabric care brands during the "Double 11 Shopping Festival".

The Group's offline sales have demonstrated strong growth in 2021, with sales via offline distributors recording substantial increase as a result of channels reform. It also focused on its strategy to increase its penetration in lower-tier cities to capture the increasing demand for branded and quality products brought by the increase in standard of living in those areas. In spite of the high raw material prices in 2021, the Group has successfully utilized its supply chain management strategies and pricing and marketing strategies to partially offset the impact.

Further to the above, in 2021, the Group has continued to invest in marketing and promoting its brands and products through its unique knowledge-based marketing strategies. With a view to enhancing consumer's confidence in its products, enhancing the brand continuously and maintaining its long-term competitiveness, the Group has sought to promote scientific washing methods and cultivate correct cleaning habits in its customers. The strong brand effect and high level of product satisfaction among consumers have enabled the Group's products to gain wide popularity among families in China. In particular, the Group's liquid laundry detergent and liquid soap have ranked first in the China Brand Power Index for 11 consecutive years (2011–2021). This demonstrated the strength of the Group's brand which has provided more opportunities for the development of the Group.

Product Development

The Group upholds its customer centric philosophy. With continuous effort in market research as well as product research and development, it has constantly enhanced its product portfolio and has launched a series of fabric care, personal hygiene, and home care products with unique features to cater to consumer demands.

For fabric care products, in response to the increasing demand for fabric sanitisation since the outbreak of COVID-19, the Group focused on developing liquid laundry detergent to remove bacteria and specialised liquid laundry detergents for use in different scenarios. For instance, it developed and launched the bacteria and odour removal liquid laundry detergent (除菌去味洗衣液) and a new underwear liquid laundry detergent (內衣專用洗衣液) in 2021.

For personal hygiene products, in view of consumers' demand for maintaining personal hygiene and health protection under the epidemic, the Group further strengthened its product portfolio in 2021 and introduced rinse-free liquid soap (免洗抑菌洗手液) to fulfil the needs of consumers in various home and personal cleaning scenarios. It also launched a new automatic hand wash dispenser (自動洗手機) to meet the demand for smart cleaning products.

For home care products, the Group introduced new cleaning products for different home appliances and improved the household disinfection product series in 2021. For instance, it developed and launched a new washing machine cleanser (洗衣機清潔劑) and multi-purpose sanitizer (多用途除菌液) in 2021.

Sales and Distribution Network

Offline Business

In 2021, the Group continued to broaden and deepen the penetration of its sales and distribution channels in China. In the second half of 2021, the Group continued to expand its sales coverage across China. In particular, the Group focused on expanding its distribution network to convenience stores, fresh food supermarkets and small and medium local stores. In order to allocate resources more effectively and efficiently, the Group refined its management system for its distribution channels and enhanced cooperation with local distributors to ensure product penetration to different points of sale. Through refining its distributorship management system, the total number of points of sale and the stock keeping unit at each of the point of sale increased. The Group implemented classification management on distribution channels to ensure a wider coverage of more stores and a higher product distribution rate in stores under the distribution network. Through the classification of these channels, the Group aims to achieve more accurate allocation of resources according to the corresponding market demands of each channel.

The Group has continued to improve its offline distribution network structure in terms of its coverage in 2021. It has conducted site visits and evaluation of the condition of its existing distributorships, examined the strengths and weaknesses and optimised the efficiency of its distributorship arrangements. The Group has also partnered with and provided training to distributors.

The online-to-offline, or O2O, model has become one of the drivers for the development of the Group's offline business. In 2021, the Group accomplished its nationwide O2O strategic planning and focused on the retail businesses in communities to satisfy the needs of local consumers. In 2021, the Group's market share ranking in the category of fabric care on JD Daojia, a leading O2O supermarket platform in China, rose to first place. The Group has also introduced its products on platforms such as Ele.me (餓了麼), Dmall (多點) and Taoxianda (淘鮮達). The Group is ranked among the first-tier brands on O2O platforms such as JD Daojia and Meituan Shangou.

Online Business

During the "618 Shopping Festival" in June 2021, the Group ranked first in terms of sales volume among all household care (including cleaning, laundry and paper product) brands on JD.com, and also first in terms of sales volume among all fabric care washing brands on Tmall. The Group has maintained the No.1 position on the best-seller list of fabric care brands on Tmall and JD.com, and ranked first on the Douyin (抖音) platform among fabric care brands (織物洗護品類) and household care and cleaning brands (家用清潔劑品類) during the "Double 11 Shopping Festival" in November 2021. The sales of certain trending products, including the underwear liquid laundry detergent (內衣專用洗衣液), the concentrated fabric softener (濃縮柔順劑) and the bacteria and odour removal liquid laundry detergent (除菌去味洗衣液), have sustained on-going increase during 2021.

The Group has enhanced its online business and acquired a leading position in online sales and distribution channels through the following:

- establishing a strong foothold and a market leading position in major fresh food e-commerce platforms such as Dingdong Maicai (叮咚買菜), Missfresh (每日優鮮) and Pupu (朴朴生鮮); and

- growing sales through live streaming platforms, including the widely popular Douyin (抖音) and Kuaishou (快手), where the Group has achieved increased sales through self-operated accounts for marketing of its products.

Strategic Cooperation

On 13 August 2021, Blue Moon (China) Co., Ltd., an indirect wholly-owned subsidiary of the Company entered into a strategic cooperation framework agreement (the "**Strategic Cooperation Framework Agreement**") with CPMC Investment Co., Ltd., pursuant to which both parties agreed to engage in strategic cooperation during the period from the date of the Strategic Cooperation Framework Agreement to 31 December 2026 to achieve the major cooperation objectives, namely sustainable development, collaborative research and development, facilitation of mutual progress, and business priority. Further details of the Strategic Cooperation Framework Agreement are set out in the announcement of the Company dated 13 August 2021.

Outlook, Future Prospects and Strategies

In 2022, the Group will continue to leverage its advantages and leadership in the industry to continue to provide excellent products and services to its consumers and pioneer the innovation and development of the industry. It will adhere to its "user-centered" core product development principle, enhance its product matrix and develop a Blue Moon cleaning ecosystem.

In the interest of enhancing its sales and distribution network to increase product penetration, in particular to counties and provinces in China, the Group plans to expand into local communities and deepen the product penetration from urban downtown areas of the larger cities to counties, townships and villages across China by improving the management of procurement and inventory to better serve consumers there.

In terms of the online business, the Group plans to further strengthen its partnership with major e-commerce platforms and seize the opportunities with new and emerging platforms, including live streaming e-commerce and fresh food e-commerce platforms.

Going forward, the Group will continue to expand its product and service offerings to increase sales volume and provide a better consumer experience. It will also continue to improve its existing products by introducing new functions and features to existing products to enhance its product diversification. Leveraging its technological capabilities and industry experience, it will continue to focus on the research and development of new products, upgrade existing products based on consumer feedback and industry knowhow and expand into new product categories to cater to the changing consumer needs and preferences. It will continue to enhance its existing products for both high-end and mass production product lines to solidify its market position and to provide integrated solutions for consumers. The Group is also committed to enriching consumer experience by its service offerings.

Financially, though the Group recorded a loss during the first half of 2021, it achieved improved financial conditions in the second half of 2021 and it aims to further improve financial conditions and to raise operational efficiency and better control the operational costs in 2022.

Looking ahead, despite the complex macro economy, the Group remains confident in the long-term development of China's cleaning market. The Group will step up its effort in enhancing the value, reputation and recognition of its brand and its products. It will focus on developing and strengthening its brand awareness through experiential marketing to promote real time engagement with consumers and to reach out to a wider customer base. The Group will closely follow the needs of consumers, continue to innovate, and promote the long-term development of the Group.

Financial Review

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$7,597.5 million, which represents an increase of approximately 8.6% as compared to approximately HK$6,996.3 million for the year ended 31 December 2020. The Group recorded profit of approximately HK$1,014.4 million, which represents a decrease of approximately 22.5% as compared to that of the year ended 31 December 2020.

Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$7,597.5 million, which represents an increase of approximately 8.6% as compared to approximately HK$6,996.3 million for the year ended 31 December 2020.

The sales of our fabric care products increased by approximately 15.4% to HK$6,456.5 million as compared to HK$5,595.9 million for the year ended 31 December 2020 due to (i) the increase of consumers' demand for fabric care products as consumers resumed outdoor activities post initial phase of COVID-19; and (ii) the introduction of a new bacteria and odour removal liquid laundry detergent (除菌去味洗衣液) and a new underwear liquid laundry detergent (內衣專用洗衣液) in 2021.

The sales of our personal hygiene products and home care products experienced an overall decline in the year ended 31 December 2021 as compared to the year ended 31 December 2020, primarily because the outbreak of COVID-19 greatly stimulated the sales of personal hygiene products and home care products in 2020. As the COVID-19 outbreak has been largely under control since the first half of 2021, the sales of personal hygiene products and home care products also decreased. Despite the full year trend mentioned above, the sales of home care products and personal hygiene products increased by 30.1% and 4.1% respectively during the second half of 2021 as compared to the second half of 2020, which is mainly contributed by (i) increased customers' awareness on personal and household hygiene as a result of COVID-19 outbreak; and (ii) more promotion events are held in the second half of the year, which is in line with the increase in selling expense. The sales of personal hygiene products and home care products for 2021 are also higher than that for 2019, which is in line with our objective to gradually improve the revenue contribution of these two types of products. The Group will continue to monitor the impact of the COVID-19 in the year of 2022 on the sales of products.

The following table sets forth a breakdown of the Group's revenue from sales of products by product category for the periods indicated.

	Year ended 31 December				
	2021		2020		
	Revenue HK$'000	Total (%)	Revenue HK$'000	Total (%)	Change (%)
Fabric care products	6,456,510	85.0	5,595,885	80.0	15.4
Personal hygiene products	601,814	7.9	835,738	11.9	(28.0)
Home care products	539,157	7.1	564,725	8.1	(4.5)
Total	7,597,481	100.0	6,996,348	100.0	8.6

The Group adopts an omni-channel strategy and sells products through online sales channels (primarily e-commerce platforms and online stores), key account clients (primarily hypermarkets and supermarkets) and offline distributors.

The sales via offline distributors increased by around 22.0% in the year ended 31 December 2021 compared to the year ended 31 December 2020. In particular, such sales increased by more than 50% in the second half of 2021 as compared to the same period in 2020, which is attributable to the successful offline strategies the Group adopted in relation to offline distributors since the second half of 2021. While the overall sales via direct sales to key account client as a percentage of the Group's revenue remained stable for the year ended 31 December 2021 as compared to the year ended 31 December 2020, such sales increased by around 8.1% for the year ended 31 December 2021 as compared to the same period in 2020 due to increase in sales through O2O platform.

The following table sets forth a breakdown of the Group's revenue contribution by channel for the periods indicated.

	Year ended 31 December				
	2021		2020		
	Revenue HK$'000	Total (%)	Revenue HK$'000	Total (%)	Change (%)
Online sales channels	**3,806,065**	**50.1**	3,774,453	53.9	0.8
Direct sales to key account clients	**1,073,686**	**14.1**	993,642	14.2	8.1
Offline distributors	**2,717,730**	**35.8**	2,228,253	31.9	22.0
Total	**7,597,481**	**100.0**	6,996,348	100.0	8.6

Cost of Sales

Cost of sales increased by approximately 27.2% to approximately HK$3,158.7 million for the year ended 31 December 2021 as compared to approximately HK$2,482.6 million for the year ended 31 December 2020, primarily due to the increase in raw material costs mainly as a result of an increase in the unit price of raw materials. The increase in cost of sales was also due to the increased cost related to certain Supreme-branded concentrated liquid detergent products returned in 2020 that was bundled with other products and sold at a discount during the first half of 2021. As disclosed in the prospectus of the Company dated 4 December 2020 (the "**Prospectus**"), the Group recognised sales return of unsold Supreme-branded concentrated liquid laundry detergent products in 2020 as a result of the COVID-19 outbreak.

Gross Profit

The Group's gross profit decreased by approximately 1.7% to approximately HK$4,438.8 million for the year ended 31 December 2021 as compared to approximately HK$4,513.8 million for the year ended 31 December 2020. The gross profit margin decreased by approximately 6.1% to 58.4% for the year ended 31 December 2021 as compared to 64.5% for the year ended 31 December 2020.

Other Income and Other Gains, Net

The Group's net other income and other gains increased by approximately 28.8% from approximately HK$72.1 million for the year ended 31 December 2020 to approximately HK$92.9 million for the year ended 31 December 2021, primarily due to the exchange gain arising from the appreciation of RMB.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 18.6% from approximately HK$2,016.6 million for the year ended 31 December 2020 to approximately HK$2,392.0 million for the year ended 31 December 2021, primarily due to (i) the increase in promotion expenses to explore new online sales channel, (ii) the increase in transportation expenses, which is in line with the increase in sales, and (iii) the increase in staff costs as the Group has further developed its laundry business since the fourth quarter of 2020.

General and Administrative Expenses

General and administrative expenses increased by approximately 19.0% from approximately HK$822.4 million for the year ended 31 December 2020 to approximately HK$978.3 million for the year ended 31 December 2021, primarily due to (i) increase in staff costs related to the Group's administrative personnel mainly as a result of (a) the absence of COVID-related government grant on employee's social insurance and (b) increase in employee expenses as more senior management are hired for the Group's long-term development; and (ii) the staff costs related to the pre-IPO share option scheme adopted by the board of directors (the "**Board**") on 23 September 2020 (the "**Pre-IPO Share Option Scheme**") and the share award plan adopted by the Group on 3 June 2021 (the "**2021 Share Award Plan**").

Provision for impairment losses of financial assets

Additional provision for impairment losses of financial assets amounted to approximately HK$11.6 million was provided for during the year, primarily due to deterioration of ageing profiles of certain customers' trade receivables as arisen from lengthening of trade receivables reconciliation process with certain customers as compared to the year ended 31 December 2020.

Operating Profit

As a result of the foregoing, the Group's operating profit decreased by approximately 34.2% from approximately HK$1,746.1 million for the year ended 31 December 2020 to approximately HK$1,149.8 million for the year ended 31 December 2021.

Finance Income and Costs

Finance income increased by approximately 1,213.9% from approximately HK$10.8 million for the year ended 31 December 2020 to approximately HK$141.9 million for the year ended 31 December 2021, due to increase in short-term deposits placed during the current year.

Finance costs increased by approximately 183.6% from approximately HK$7.3 million for the year ended 31 December 2020 to approximately HK$20.7 million for the year ended 31 December 2021, primarily due to the fees and interest expense on the loan related to the interim dividend that was declared in June 2020. Such loan was subsequently repaid in the first half of 2021.

Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax decreased by approximately 27.4% from approximately HK$1,749.6 million for the year ended 31 December 2020 to approximately HK$1,271.0 million for the year ended 31 December 2021.

Income Tax Expense

The Group's income tax expenses decreased by approximately 41.7% from approximately HK$440.2 million for the year ended 31 December 2020 to approximately HK$256.6 million for the year ended 31 December 2021, primarily due to the decrease in profit before income tax. The effective income tax rate decreased from approximately 25.2% for the year ended 31 December 2020 to approximately 20.2% for the year ended 31 December 2021, primarily due to change in the profitability of the Group's subsidiaries which are applicable to different tax rates.

Profit for the Year and Profit attributable to Equity Holders of the Company

As a result of the foregoing, the Group's profit as well as the profit attributable to equity holders of the Company decreased by approximately 22.5% from approximately HK$1,309.4 million for the year ended 31 December 2020 to approximately HK$1,014.4 million for the year ended 31 December 2021.

Basic and Diluted Earnings Per Share

Earnings per share (basic and diluted) was approximately HK17.49 cents and HK17.39 cents for the year ended 31 December 2021, respectively.

Liquidity and Financial Resources

As at 31 December 2021, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents and restricted cash, amounted to approximately HK$9,233.7 million, a decrease of approximately HK$1,705.2 million from approximately HK$10,938.9 million as at 31 December 2020. The decrease in bank deposits and cash was primarily due to the payment of dividend declared in 2020, partially off-set by proceeds obtained from the issuance of ordinary shares upon exercise of the Over-allotment Option (as defined in the Prospectus).

As at 31 December 2021, the net current assets of the Group were approximately HK$10,282.0 million (31 December 2020: approximately HK$9,794.3 million). The Group's current ratio (current assets/current liabilities) was approximately 6.40 times (31 December 2020: approximately 3.48 times).

As at 31 December 2021, the Group has borrowings of HK$100 million (31 December 2020: Nil). Details of borrowings are set out in note 29 to the consolidated financial statements. Gearing ratio is 0.8% as at 31 December 2021 which is calculated using total bank borrowings divided by total equity (31 December 2020: not applicable).

Capital Expenditure and Capital Commitment

During the year ended 31 December 2021, the capital expenditure of the Group was approximately HK$321.0 million, which was primarily used to finance the Group's production capacity expansion for its existing production bases to cater for new products and the development of computer software pursuant to the Group's strategy of sustained long-term investment in technology.

As at 31 December 2021, the capital commitment of the Group amounted to approximately HK$184.9 million, which was primarily related to acquisition of property, plant and equipment for production facilities under construction and expansion of production capacity at certain existing production facilities. Except as disclosed above, the Company has no other future plans for material investments and capital assets.

Pledge of Assets of the Group

As at 31 December 2021, land use rights with the carrying amounts of approximately HK$63.9 million (31 December 2020: buildings and land use rights with the carrying amounts of approximately HK$186.6 million and HK$229.1 million, respectively), were pledged to banks to secure certain bank facilities of the Group.

The borrowings under such bank facilities were repaid in full during the year ended 31 December 2021. The Group was undergoing the process of releasing such pledge as at 31 December 2021.

As at 31 December 2021, the Group had no restricted cash (31 December 2020: approximately HK$17.8 million) placed in the bank to secure certain bank facilities.

Exposure to Foreign Exchange

The majority of the Group's subsidiaries are operating in the PRC with most of the transactions and assets denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government. Because of the simplicity of the Group's financial structure and current operations, no hedging activities are undertaken by management.

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Significant Investments, Acquisitions and Disposals

The Company did not have significant investments, held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

Future Plan for Material Investments or Capital Assets

Save for "Use of Proceeds from the Company's Global Offering" disclosed in this report, the Group did not have any existing plan for acquiring other material investments or capital assets.

Awards

The Group has received numerous awards and recognitions in recognition of its brand, business operations, products and corporate social responsibility achievements. Depicted below is a summary of significant awards and recognitions that the Group has received during the year ended 31 December 2021:

1

Ranking first in China Brand Power Index in liquid laundry detergent and liquid soap brands for 11 consecutive years (2011–2021)* 洗衣液、洗手液品牌於C-BPI品牌力指數中連續11年 (2011–2021) 第一名

Chnbrand (Beijing) Brand Consulting Co., Ltd.
(中企品研(北京)品牌顧問股份有限公司)

2

Liquid Laundry Detergent & Liquid Soap ranked first in the comprehensive market share of similar products for 12 consecutive years (2009–2020) and 9 consecutive years (2012–2020) respectively* 洗衣液及洗手液分別連續12年 (2009–2020) 及連續9年 (2012–2020) 榮列同類產品市場綜合佔有率第一位

China General Chamber of Commerce and China National Commercial Information Center*
(中國商業聯合會及中華全國商業信息中心)

3

22 products were certified among the first batch of "China Green Products" certification in the industry* (22款產品獲得行業首批「中國綠色產品」認證)

Central Joint Certification Center*
China Environmental United (Beijing) Certification Center Co., Ltd.
(中環聯合(北京)認證中心有限公司)

* For identification purposes only

4

6 products awarded Guangzhou's First Product Carbon Label Evaluation Certificate* (6款產品獲廣州市首張產品碳標籤評價證書)

China Building Material Test & Certification Group Co., Ltd.* (中國建材檢驗認證集團股份有限公司)

5

Hong Kong Outstanding Listed Enterprises 2021 (Outstanding Consumer Brand)* (香港傑出上市企業2021 (傑出消費品牌))

Economic Digest (經濟一週)

6

China Art Youth Development Contribution Award* (中國青年藝術發展特別貢獻獎)

Organizing Committee of Graduates Art Fair* (大學生藝術博覽會組委會)

7

商界展關懷
caringcompany 2021/22 ®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Caring Company 2021/22 (商界展關懷 2021/22)

The Hong Kong Council of Social Services (香港社會服務聯會)

* For identification purposes only

Research and Development

The Group's business has benefited from its strong track record in research and development. The Group has a two-pronged research and development focus, including (i) introducing new products to meet evolving consumer preferences and to elevate user experience, and (ii) developing and sharing scientific and practical cleaning methods with consumers.

The Group established its Research and Development Technology Centre since the inception of its operation and the Blue Moon Applied Sciences and Laundry Academy dedicated to the development and assessment of laundry products and methods in 2015. As at 31 December 2021, the Group had obtained a total of 831 registered trademarks, 220 patents and 173 copyrights in China.

Human Resources

The Group had approximately 7,617 employees as at 31 December 2021. Salaries of employees are maintained at competitive levels.

In recognition of the contribution by our employees to the Group, the Group has in place the Pre-IPO Share Option Scheme and the Board has adopted the 2021 Share Award Plan on 3 June 2021. Further details are set out under the "Report of the Directors" section on pages 24 to 41 of this annual report.

Report of the Directors

The board of directors of the Company (the "**Board**") is pleased to submit their report together with the audited financial statements for the year ended 31 December 2021. All references in this section to other sections, parts of or notes in this annual report, form part of this Report of the Directors section.

Principal Activities

The Company and its subsidiaries are principally engaged in the design, research, development, manufacture and sale of (i) personal hygiene products, (ii) home care products, and (iii) fabric care products in China. The principal activities and other particulars of the principal subsidiaries of the Group are set out in note 14 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 and the material factors underlying its results and financial position are provided in the "Management Discussion and Analysis" section on pages 12 to 23 of this annual report.

A description of the principal risks and uncertainties that the Company may be facing, and the future development of the Group's business are discussed in the "Management Discussion and Analysis" section on pages 12 to 23 of this annual report.

A discussion on the Group's environmental policies and performance and the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are provided in the "Corporate Governance Report" section of this annual report.

Additionally, the financial risk management objectives and policies of the Company can be found in note 3 to the consolidated financial statements.

These discussions form part of this Report of the Directors.

Results and Dividends

The results of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 70 to 151.

As at 31 December 2020, the dividend payable represented dividend declared in 2020 but not yet settled, which was fully settled by the Company during the year ended 31 December 2021.

The Board recommended the payment of a final dividend for the year ended 31 December 2021 of HK13.8 cents per ordinary share, totalling HK$808.6million.

Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company ("**AGM**") will be held on Friday, 24 June 2022. The notice of AGM will be sent to the shareholders of the Company (the "**Shareholders**") on Friday, 29 April 2022.

The register of members of the Company will be closed as follows:

(a) For the purpose of ascertaining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 20 June 2022.

(b) The final dividend will be payable on or about Friday, 29 July 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 6 July 2022. For the purpose of ascertaining Shareholder's eligibility for the final dividend, the register of members of the Company will be closed from Monday, 4 July 2022 to Wednesday, 6 July 2022, both days inclusive, during which period no transfer of ordinary share(s) in the share capital of the Company with a par value of HK$0.01 each (the "**Shares**") will be registered. In order to qualify for the above mentioned final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 p.m. on Thursday, 30 June 2022.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong.

Financial Summary

The financial summary of the Group is set out on page 152 of this annual report. The summary does not form part of the audited financial statements.

Share Capital

The Company had 5,859,575,000 Shares in issue as at 31 December 2021. Details of the movements in the Shares during the year are set out in note 22 to the consolidated financial statements.

Share Issued

On 6 January 2021, an Over-allotment Option (as defined in the Prospectus) was fully exercised in respect to an aggregate of 112,068,500 Shares and the over-allotment shares were allotted and issued by the Company at the offer price of HK$13.16 per Share. Net proceeds from the issuance of such over-allotment shares amounted to approximately HK$1,445 million.

During the year, as a result of the exercise of share options under the Pre-IPO Share Option Scheme, a total of 380,000 fully paid shares of the Company were issued for a total consideration of HK$1,428,800. Details of the shares issued during the year are set out in note 22 to the financial statements.

Debenture Issued

The Group did not issue any debenture for the year ended 31 December 2021.

Distributable Reserves

As at 31 December 2021, distributable reserves of the Company amounted to approximately HK$10,400.1 million (2020: HK$9,973.1million). The movements in distributable reserves during the year are set out in note 34 to the consolidated financial statements.

Charitable Donations

The Group's external charitable donations for the year ended 31 December 2021 amounted to approximately HK$24.0 million (2020: HK$20.3 million).

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of HK$284.7million (2020: HK$269.1 million). Details of the movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2021 are set out in note 29 to the consolidated financial statements.

Major Customers and Suppliers

During the year, sales to the Group's five largest customers accounted for 33.4% (2020: 36.8%) of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for approximately 14.9% (2020: 17.0%) of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 29.9% (2020: 36.5%) of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 7.6% (2020: 9.1%) of the Group's total purchases for the year.

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in any of the five largest suppliers or customers.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the amended and restated articles of association of the Company (the "**Articles of Association**") or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors
Ms. PAN Dong *(Chairman)*
Mr. LUO Qiuping *(Chief Executive Officer)*
Ms. LUO Dong
Mr. POON Kwok Leung
Ms. XIAO Haishan

Non-executive Director
Mr. CAO Wei

Independent Non-executive Directors
Mr. Bruno Robert MERCIER
Ms. NGAN Edith Manling
Mr. HU Yebi

Pursuant to Article 84(1) of the Articles of Association, Ms. LUO Dong, Mr. POON Kwok Leung and Ms. XIAO Haishan shall retire by rotation at the forthcoming AGM. All of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

Change in Directors' Information

Save for Messrs. CAO Wei and Bruno Robert MERCIER and Ms. NGAN Edith Manling, there are no other changes in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51 B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The biographical details of the Directors and senior management as at the date of this annual report are set out in this annual report on pages 42 to 47.

Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the Independent Non-executive Directors to be independent.

Directors' Service Contracts

Each of the Directors has signed an appointment letter with the Company for an initial term of three years or until the third AGM since 16 December 2020 (being the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange) (whichever is earlier), subject to rotation, re-nomination and re-election as and when required under the Articles of Association and the Listing Rules.

Under the respective appointment letters entered into between each Director, the annual director's fees payable by the Company to each of the Directors are HK$500,000 per annum. An additional fee of HK$50,000 per annum will be payable to a member on each of the Audit Committee, Remuneration Committee and Nomination Committee or the chairman of each of the Remuneration Committee and Nomination Committee, while an additional fee of HK$100,000 per annum will be payable to the chairman of the Audit Committee.

Each of the Directors is entitled to reimbursement from the Company for all reasonable expenses necessarily incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

None of the Directors has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Information relating to the remuneration of directors are set out in note 9 to the financial statements.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, were subsisting during or at the end of the year ended 31 December 2021, except as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and note 9 to the financial statements.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, each of the Directors has confirmed that he/she does not have any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2021, the interests and/or short positions (as applicable) of the Directors in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of the Company's associated corporations ("**Associated Corporations**") (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

(i) The Company

Directors	Nature of Interest	Number of Shares	Approximate % of Shares held[1]
Ms. PAN Dong[2]	Interest in controlled corporation	4,446,000,000	75.88
Mr. LUO Qiuping[2]	Interest of spouse	4,446,000,000	75.88
Ms. LUO Dong[3]	Beneficial owner	4,800,000	0.08
Mr. POON Kwok Leung[4][5]	Beneficial owner	1,000,000	0.02
	Interest in controlled corporation	3,500,000	0.06
Ms. XIAO Haishan[6]	Beneficial owner	900,000	0.02
Mr. Bruno Robert MERCIER[7]	Beneficial owner	20,000	0.00

Notes:

(1) As at 31 December 2021, the total number of issued Shares was 5,859,575,000.

(2) Ms. PAN Dong was the sole shareholder of ZED Group Limited ("**ZGL**"), which in turn held (i) directly 75.69% Shares and (ii) indirectly (as the sole shareholder of Van Group Limited ("**VGL**")) 0.19% Shares of the Company. Therefore, ZED was deemed or taken to be interested in all the Shares which were beneficially owned by VGL for the purpose of Part XV of the SFO. Each of Ms. PAN and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the Shares which are beneficially owned by ZED and VGL for the purpose of Part XV of the SFO.

(3) Ms. LUO Dong was granted share options under the Pre-IPO Share Option Scheme to subscribe for 4,800,000 Shares.

(4) Mr. POON Kwok Leung was granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares.

(5) Mr. POON Kwok Leung was the sole shareholder of Allied Power Limited ("**APL**"), which in turn held directly 0.06% Shares of the Company. Therefore, Mr. POON was deemed or taken to be interested in all the Shares which were beneficially owned by APL for the purpose of Part XV of the SFO.

(6) Ms. XIAO Haishan was granted share options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares and there is a lapse of share options of 100,000 Shares.

(7) Mr. Bruno Robert MERCIER directly held 20,000 Shares.

(ii) Associated Corporations

Directors	Associated Corporations	Nature of Interest	Number of Shares	Approximate % of Shares held
Ms. PAN Dong[1]	ZED	Beneficial owner	1	100
	VGL	Interest in controlled corporation	1,000	100
Mr. LUO Qiuping[1]	ZED	Interest of spouse	1	100
	VGL	Interest of spouse	1,000	100

Note:

(1) Ms. PAN Dong was the sole shareholder of ZED, which held the entire issued shares of VGL. Therefore, each of Ms. PAN and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the shares of VGL which were beneficially owned by ZED for the purpose of Part XV of the SFO.

All the interests disclosed in sections (i) and (ii) above represent long positions in the shares of the Company or the Associated Corporations.

Save as disclosed herein, none of the Directors had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which (i) had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) pursuant to section 352 of the SFO, had to be entered in the register referred to therein or (iii) pursuant to the Model Code, had to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2021, the interests of persons (other than the Directors) whose interest in the Shares or underlying Shares (within the meaning of Part XV of the SFO) of the Company which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of Interest	Number of Shares	Approximate % of shareholding[1]
ZED[2]	Beneficial owner/Interest in controlled corporation	4,446,000,000	75.88
HCM BM HOLDINGS, LTD.[3]	Beneficial owner	500,000,000	8.53
GAOLING FUND L.P.[3]	Beneficial owner/Interest in controlled corporation	542,765,000	9.26
HILLHOUSE CAPITAL ADVISORS, LTD.[3]	Interest in controlled corporation	544,922,500	9.30

Notes:

(1) As at 31 December 2021, the total number of issued Shares was 5,859,575,000.

(2) ZED held (i) 75.69% Shares directly and (ii) indirectly (as the sole shareholder of VGL) 0.19% shares of the Company. Therefore, ZED was deemed or taken to be interested in all the Shares which were beneficially owned by VGL for the purpose of Part XV of the SFO. Each of Ms. PAN Dong and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the Shares which were beneficially owned by ZED and VGL for the purpose of Part XV of the SFO.

(3) HCM BM Holdings, Ltd. was a company incorporated under the laws of the BVI with limited liability and was owned as to 95.32% by Gaoling Fund L.P., whose sole investment manager is Hillhouse Capital Advisors, Ltd. Gaoling Fund L.P. was a beneficial owner of 42,765,000 Shares. Hillhouse Capital Advisors, Ltd.'s interest also included the beneficial interest in 2,157,500 Shares held by YHG Investment L.P., whose general partner was Hillhouse Capital Advisors, Ltd. Both Gaoling Fund L.P. and YHG Investment L.P. were affiliates of HCM BM Holdings, Ltd.

All the interests disclosed in the table above represent long positions in the Shares or underlying Shares of the Company.

Save as disclosed herein, as at 31 December 2021, the Company had not been notified of any interests or short positions in the Shares or underlying Shares which was required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Apart from the subsection headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Pre-IPO Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them, nor was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other corporations.

Equity-Linked Agreements

The Board adopted the Pre-IPO Share Option Scheme on 23 September 2020. As at 31 December 2021, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares). All the share options have been granted before the first date on which the Shares are listed and traded on the Main Board of the Stock Exchange (being 16 December 2020) (the "**Listing Date**"). For further details, please refer to the subsection headed "Pre-IPO Share Option Scheme" below.

The Board adopted the Share Award Plan on 3 June 2021. As at 31 December 2021, 8,058,000 share awards have been granted pursuant to the 2021 Share Award Plan to 325 employees. For further details, please refer to the subsection headed "Share Award Plan" below.

Save as otherwise disclosed in this annual report, there was no other equity-linked agreement entered into by the Company during the year ended 31 December 2021.

Pre-IPO Share Option Scheme

The Board adopted the Pre-IPO Share Option Scheme on 23 September 2020. As at 31 December 2021, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares). All the share options have been granted before the Listing Date.

(i) Purpose

The purpose of the Pre-IPO Share Option Scheme is to encourage certain key employees to contribute to the Group for the long-term benefits of the Company and the Shareholders as a whole and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to its key employees.

(ii) Who may join

The Board (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may determine any directors, employees of any member of the Group or any adviser or consultant who provides services to any member of the Group pursuant to a contract of services with the relevant member of the Group ("**Business Associates**"), who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares.

For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of these classes of participants shall not, by itself, unless the Directors otherwise so determine, be construed as a grant of option under the Pre-IPO Share Option Scheme.

The eligibility of any of these classes of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the participant's contribution to the development and growth of the Group.

(iii) Maximum number of Shares

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme shall not exceed the lower of (i) 100,000,000 Shares, and (ii) 1.5% of the issued Shares as at the Listing Date.

(iv) Time of acceptance, vesting and exercise of option

An option may be accepted by a participant within such time as determined by the Board, provided that no option shall remain open for acceptance on or after the Listing Date or after the relevant participant has ceased to be a participant (as determined by the Board) for any reason.

Subject to the other terms and conditions of the Pre-IPO Share Option Scheme or the letter to the grantee, a grantee is vested with, and entitled to exercise up to, either one-fourth of his or her option (rounded up to the nearest board lot) or 10%, 20%, 30% and 40% of his or her option (rounded up to the nearest whole board lot) during the Option Period (as defined in the Prospectus), in each case as specified in the letter to the relevant grantee, commencing from each of the first, second, third and fourth anniversaries of the Listing Date, respectively, provided that the grantee remains to be a participant entitled to exercise his or her option.

(v) Exercise price for Shares

The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme shall be HK$3.76, excluding brokerage, the Securities and Futures Commission (the "**SFC**") transaction levy and the Stock Exchange trading fee. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option, save to the extent that other arrangements have been made for the payment of the exercise price which are satisfactory to the Board.

(vi) Duration of the Pre-IPO Share Option Scheme

Subject to the terms of the Pre-IPO Share Option Scheme (including, but not limited to, the conditions precedent for the Pre-IPO Share Option Scheme to become effective), the Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the adoption date (being 23 September 2020) and expiring on the day immediately after the date which is 10 years after the Listing Date, after which period the provisions of the Pre-IPO Share Option Scheme shall in all respects cease to be in any force or effect. For the avoidance of doubt, no option shall be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

(vii) Outstanding options granted

On 23 September 2020 (being the date of grant), pursuant to the Pre-IPO Share Option Scheme, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares) to 684 grantees. The grantees comprise three Directors, existing employees and Business Associates of the Group (who are not Directors or connected persons of the Group). All the share options have been granted before the Listing Date. The total number of Shares available for issue under the Pre-IPO Share Option Scheme was 58,179,800 in respect of outstanding share options as at 31 December 2021 representing approximately 0.99% of the total number of Shares as at the date of this report.

Set out below is the detailed movements during the year in the outstanding options granted under the Pre-IPO Share Option Scheme:

		Number of options							
Name of Grantee	Date of grant (Note 1)	Outstanding options as at 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding options as at 31 December 2021	Exercise Price per Share (HK$)	Option Period
Directors of the Company									
Ms. LUO Dong	23 September 2020	4,800,000	–	–	–	–	4,800,000	HK$3.76	10 years from the date of Grant
Mr. POON Kwok Leung	23 September 2020	1,000,000	–	–	–	–	1,000,000	HK$3.76	10 years from the date of Grant
Ms. XIAO Haishan	23 September 2020	1,000,000	–	–	–	(100,000)	900,000	HK$3.76	10 years from the date of Grant
Others									
Grantees including existing employees and Business Associates of the Group	23 September 2020	54,851,000	–	(380,000) (Note 2)	–	(2,991,200)	51,479,800	HK$3.76	10 years from the date of grant
Total:		61,651,000	–	(380,000)	–	(3,091,200)	58,179,800		

Notes:

1. On every vesting date, either one-fourth of his or her option (rounded up to the nearest board lot) or 10%, 20%, 30% and 40% of his or her option (rounded up to the nearest whole board lot) during the Option Period (as defined in the Prospectus), in each case as specified in the letter to the relevant grantees, commencing from each of the first, second, third and fourth anniversaries of the Listing Date, respectively, may be vested in the grantee, subject to the satisfaction of certain performance targets and/or the attainment or performance of milestones by any member of our Group as determined by our Board at its sole and absolute discretion. Notwithstanding the above, our Board may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options under the Pre-IPO Share Option Scheme in accordance with the terms thereunder.

2. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$7.55.

Save as disclosed above, during the year ended 31 December 2021, no share options were granted, exercised, lapsed or cancelled under the Pre-IPO Share Option Scheme. For further details regarding the Pre-IPO Share Option Scheme, please refer to the Prospectus and note 23 to the consolidated financial statements of this annual report.

Share Award Plan

The Board approved the adoption of the 2021 Share Award Plan on 3 June 2021, to recognize and reward the contributions of certain eligible participants to the growth and development of the Group, to give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for the further development of the Group.

Pursuant to the rules relating to the 2021 Share Award Plan, the Board may, acting through the awards committee, during the continuation of the 2021 Share Award Plan, at its absolute discretion select any eligible participant (other than an excluded participant) to participate in the 2021 Share Award Plan as a selected participant and determine the awards of Shares to be granted, subject to such terms and conditions as it may in its absolute discretion determine (including but not limited to, where applicable, the vesting conditions and schedule of the awarded shares to the selected participant). The eligibility of any of the eligible participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group. The trustee shall vest in any selected participant the awarded Shares upon the vesting condition(s) being attained by such selected participant.

As at 31 December 2021, 8,058,000 share awards have been granted to 325 employees. Details in relation to the 2021 Share Award Plan and the share purchase in respect of the 2021 Share Award Plan by the trustee are set out in the announcements of the Company dated 3 June 2021 and 27 July 2021, respectively. No consideration is payable by the employees and no share awards have been granted to any connected persons (as defined under the Listing Rules) of the Company. As at the date of this annual report, none of the share awards granted have been vested. Details of the share award plan are set out in note 23 to the consolidated financial statements.

Related Party Transactions

Details of related party transactions were set out in note 31 to the consolidated financial statements. Details of any related party transaction which constitutes a continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions

On 23 November 2020, the Group has entered into a master purchase framework agreement which constituted a non-exempt continuing connected transaction (as defined in the Listing Rules) of the Company which is subject to announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the transaction are set out below:

Master Purchase Framework Agreement

The Company entered into a master purchase framework agreement (the "**Master Purchase Framework Agreement**") with Guangzhou Daoming Chemical Co., Ltd (廣州市道明化學有限公司) ("**Daoming Company**") on 23 November 2020, pursuant to which Daoming Company agreed to supply to the Group, and the Group agreed to purchase, chemical raw materials (including surfactant and additive) from Daoming Company with a term commencing from the date of signing to 31 December 2022, which can be renewed subject to the negotiation between the parties to the Master Purchase Framework Agreement and compliance with the requirements of the Listing Rules.

The main objective of the Group's sourcing strategy is to avoid heavy reliance on any single supplier to ensure stable supply and cost competitiveness. The Group generally selects its suppliers based on various criteria including the reliability of delivery time, pricing of the materials and location of the suppliers' facilities. Daoming Company is not the sole and exclusive supplier of chemical raw materials required by the Group for its business, and the Group also sources chemical raw materials from selected suppliers which are Independent Third Parties (as defined in the Prospectus). As the Group has been procuring chemical raw materials from Daoming Company during the Track Record Period (as defined in the Prospectus) and given (i) the pricing policy and (ii) the quality of the products supplied by Daoming Company, the Directors consider that it is in the interest of the Company and the Shareholders for the Group to continue to purchase the required raw materials from Daoming Company going forward, provided that the prices offered by Daoming Company are fair and reasonable as compared to market rates.

The annual cap for the Master Purchase Framework Agreement payable by the Company for the year ended 31 December 2021 was HK$ 4,756,000.

The total amount incurred by the Company under the Master Purchase Framework Agreement for the year ended 31 December 2021 was HK$3,802,080. The Company has followed its pricing policies and guidelines in respect of the transactions entered into under the Master Purchase Framework Agreement when determining the price and terms of the transactions conducted during the financial year.

As Daoming Company is a company established in the PRC with limited liability on 6 April 1990 and held by Mr. FU Xiangdong (the brother of Mr. LUO Qiuping) and Mr. LUO Wenming (the uncle of Mr. LUO Qiuping) as to 70% and 30%, it is a connected person of the Company. The Master Purchase Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details regarding the Master Purchase Framework Agreement, please refer to the section headed "Connected Transactions" of the Prospectus.

Confirmation by the Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the above continuing connected transactions contemplated under the Master Purchase Framework Agreement and have confirmed that such transactions are:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better terms; and

(iii) in accordance with the agreements related to such transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation by the Auditor

The Company's auditor was engaged to review the continuing connected transactions contemplated under the Master Purchase Framework Agreement. The auditors have, based on the work performed, provided a letter to the Directors confirming that nothing has come to their attention that causes them to believe that such continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the relevant annual caps.

The Directors confirmed that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

Retirement and Pension Scheme

Particulars of retirement and pension schemes of the Group are set out in note 8 to the consolidated financial statements.

Purchase, Sale and Redemption of the Company's Listed Securities

Save for the full exercise of the Over-allotment Option (as defined in the Prospectus) as disclosed in the section headed "Share Issued", for the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/ her respective offices or trusts.

Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Use of Proceeds from the Company's Global Offering

The net proceeds (the "**Net Proceeds**") from the initial public offering of the Shares of the Company in December 2020, together with the issuance of Shares pursuant to the full exercise of the Over-allotment Option (as defined in the Prospectus) in January 2021, after deducting the underwriting commission and other estimated expenses, of HK$11,004 million have been partially utilised and will continue to be utilised in the manner as stated in the Prospectus and in the timeline as stated below.

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds and as at 31 December 2020 Unutilised amount(1) *approximately HK$ million*	For the year ended 31 December 2021 Utilised amount *approximately HK$ million*	As at 31 December 2021 Unutilised amount *approximately HK$ million*
Financing business expansion including production capacity expansion plans and to purchase equipment and machinery to facilitate such expansion plan as well as the development of the Group's laundry services	3,918	238	3,680(2)
Raising brand awareness, further strengthening our sales and distribution network and increasing product penetration	5,766	1,119	4,647(3)
Working capital and for other general corporate purposes	1,100	1,100	—
Enhancing research and development capabilities	220	43	177(4)
Total	11,004	2,500	8,504

Notes:

(1) The net proceeds have not been utilised in the financial year ended 31 December 2020 and were brought forward.

(2) The balance of unutilised amount on financing business expansion, including production capacity expansion plans and to purchase equipment and machinery to facilitate such expansion plan as well as the development of the Group's laundry services, is expected to be fully utilised by the end of 2025.

(3) The balance of unutilised amount on raising brand awareness, further strengthening the Group's sales and distribution network and increasing product penetration is expected to be fully utilised by the end of 2025.

(4) The balance of unutilised amount on enhancing research and development capabilities is expected to be fully utilised by the end of 2025.

Sufficiency of Public Float

The Company has obtained a waiver from the Stock Exchange and the Stock Exchange has accepted, under Rule 8.08(1)(d) of the Listing Rules, a lower public float percentage of 24.06% at the issued shares of the Company.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2021, the Company has maintained the prescribed minimum public float permitted by the Stock Exchange.

Environment, Social and Governance

Further details of the Group's commitment and principles of action to the management of environment, social and governance and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core business of the Group for the year ended 31 December 2021 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2021, which will be published on the websites of the Company and the Stock Exchange on even date of this annual report.

Events after the year ended 31 December 2021

On 29 March 2022, the Board approved the adoption of the 2022 share award plan (the "**2022 Share Award Plan**") to recognise and reward the contribution of certain eligible participants who are Executive Directors of the Company or directors of the subsidiaries of the Group to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group.

Pursuant to the rules relating to the 2022 Share Award Plan, the Board may, make an award out of the share pool to any of the eligible participants such number of issued Shares of the Company as it shall determine. The eligibility of any of the eligible participants under the 2022 Share Award Plan to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his or her contribution and/or anticipated future contribution to the development and growth of the Group and the grant of an award to eligible participants who are Executive Directors of the Company shall be approved by members of the Remuneration Committee (other than by himself or herself).

As at the date of this annual report, no share award has been granted pursuant to the 2022 Share Award Plan. Further details in relation to the 2022 Share Award Plan are set out in the announcement of the Company dated 30 March 2022.

Saved as disclosed above, there are no other significant events subsequent to 31 December 2021 which would materially affect the Group's operating and financial performance as of the date of this annual report.

Auditor

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, which will retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

PAN Dong
Chairman
Hong Kong, 29 March 2022

Board of Directors and Senior Management

Executive Directors

Ms. PAN Dong (潘東), aged 56, was appointed as a Director and the Chairman of the Company on 27 December 2007. She was re-designated as an Executive Director on 22 June 2020. She is primarily responsible for the technological development of the Group. She joined the Group on 1 August 1997 as the Chief Technology Officer and has served as the director of Blue Moon Group Limited (藍月亮國際集團有限公司) ("**Blue Moon Group**") since November 1997. In addition, she currently acts as the director of Guangzhou Blue Moon Industrial Co., Ltd. (廣州藍月亮實業有限公司) ("**Blue Moon Industrial**"), Blue Moon (BVI) Limited and Villa La Luna Group Limited (月亮小屋國際集團有限公司). She is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Ms. PAN is the wife of Mr. LUO.

Before joining the Group, Ms. PAN worked as a teacher at the Institute of Organic Chemistry of School of Chemistry at the South China Normal University from July 1987 to July 1997.

Ms. PAN graduated from Wuhan University in China with a bachelor's degree in organic chemistry in July 1984 and a master's degree in organic chemistry in July 1987. She received a master of business administration degree with distinction from Lawrence Technological University in the United States in December 2001.

Mr. LUO Qiuping (羅秋平), aged 58, was appointed as a Director and the chief executive officer of the Company on 12 February 2008. He was re-designated as an Executive Director on 22 June 2020. He is primarily responsible for the strategic planning and overall management of the Group. Mr. LUO joined the Group as a director of Blue Moon Group in November 1994 and has been acting as the Chief Executive Officer of the Group since December 1994. He currently also serves as the director of Blue Moon Industrial and the executive director of Blue Moon (Tianjin) Co., Ltd. (藍月亮(天津)有限公司) ("**Blue Moon Tianjin**") and Blue Moon (Kunshan) Industrial Co., Ltd (藍月亮(昆山)實業有限公司) ("**Blue Moon Kunshan**"). Mr. LUO is the husband of Ms. PAN.

Mr. LUO graduated from Wuhan University with a bachelor's degree in organic chemistry in July 1984. He received a master's degree in organic chemistry from the Chinese Academy of Sciences (中國科學院) in June 1987. Mr. LUO was certified as a chemical engineer in January 1993 by Guangzhou Municipal Science & Technology Commission (廣州市科學技術委員會) of the PRC.

Ms. LUO Dong (羅東), aged 48, was appointed as a Director of the Company on 12 February 2008. She was re-designated as an Executive Director on 22 June 2020. She is responsible for the supply chain management of the Group. Ms. LUO joined the Group in December 2005. She has been working as the chief supply officer of the Group since 1 December 2005. She has also served as a director of Blue Moon Group since July 2007. In addition, she currently acts as the general manager of Blue Moon Tianjin, Blue Moon Kunshan and Blue Moon (Guangzhou) Co., Ltd. (藍月亮(廣州)有限公司) ("**Blue Moon Guangzhou**"), as well as the general manager of Blue Moon Industrial. She is also currently the executive director of Moon House (Nantong) Washing Co., Ltd. (月亮小屋(南通)洗滌有限公司).

Ms. LUO has 26 years of experience in the operation, purchase and manufacture management of the "Blue Moon (藍月亮)" brand products. Ms. LUO worked at Daoming Company as the project development engineer from July 1993 to November 1994. She joined Guangzhou Blue Moon Co., Ltd. (廣州藍月亮有限公司) ("**Guangzhou Blue Moon Company**") in December 1994 and acted as the project development engineer and technology engineer from December 1994 to December 1995. She also held various positions successively in Guangzhou Blue Moon Company between December 1995 and November 2002, including the head of the laboratory, the head of the department of quality inspection, assistant manager of the technical quality department and the manager of the finished product department, and was primarily responsible for the manufacture management of household care products. She acted as the chief supply officer of Guangzhou Blue Moon Company from November 2002 to November 2005, and she was primarily responsible for the supply chain management of Guangzhou Blue Moon Company.

Ms. LUO graduated from Beijing Institute of Fashion Technology (北京服裝學院) with a bachelor's degree in applied chemistry in July 1993.

Mr. POON Kwok Leung (潘國樑), aged 42, was appointed as a Director of the Company and re-designated as an Executive Director on 22 June 2020. Mr. POON joined the Group in May 2008 as the financial controller. He was later appointed as the chief financial officer of the Group on 1 March 2016. He is responsible for the management of financial accounts and financing matters of the Group.

Mr. POON has extensive experience in auditing, accounting and financial management. He held positions of associate and later, senior associate in PricewaterhouseCoopers Ltd. from September 2001 to November 2004, and the position of assistant manager in KPMG from November 2005 to May 2006. Prior to joining the Group, Mr. POON held a managerial position in the wholesale banking group (China corporates) division of CITIC Ka Wah Bank Limited from September 2006 to October 2007 where Mr. POON was primarily responsible for developing and maintaining client relationships.

Mr. POON graduated from the University of Hong Kong in November 2001 with a bachelor's degree of business administration in accounting and finance. He also received a bachelor of Chinese law degree from the School of Law of Tsinghua University in July 2008. Mr. POON has been a member of the Hong Kong Institute of Certified Public Accountants since October 2004.

Ms. XIAO Haishan (肖海珊), aged 45, was appointed as a Director of the Company and re-designated as an Executive Director on 22 June 2020 and as the Chief Operation Officer of the Group on 1 July 2017. She is responsible for the operation and human resource management of the Group. Ms. XIAO first joined the Group in February 2011. From February 2011 to June 2017, she held various positions in the Group successively, including the assistant of the Group's chief executive officer, the operation director and the head of human resource centre of the Group. She currently acts as the executive director and general manager of Blue Moon (Chongqing) Co., Ltd. (藍月亮(重慶)有限公司), as well as the executive director of Xingshuo (Guangzhou) Industrial Co., Ltd. (星朔(廣州)實業有限公司), Blue Moon Guangzhou, Moon House (Shenzhen) Data Technology Co., Ltd. (月亮小屋(深圳)數據技術有限公司), Villa La Luna (China) Co., Ltd. (月亮小屋(中國)有限公司) ("**Villa La Luna**") and Blue Moon (China) Co., Ltd. (藍月亮(中國)有限公司) ("**Blue Moon China**"). She is also a member of the Remuneration Committee of the Company.

From July 1998 to July 2003, she held various positions successively in the marketing department of Guangzhou Blue Moon Company, including planning associate, branding manager and manager of the marketing department. From July 2007 to January 2011, Ms. XIAO acted as the general manager of Guangzhou Van Management Consulting Company Limited (廣州先基管理顧問有限公司), a company principally engaged in management consulting services, where she was primarily responsible for management of business operation.

Ms. XIAO graduated from Wuhan University with a bachelor's degree in economics in June 1998. She received a master of business administration degree from Zhejiang University in June 2007.

Non-Executive Director

Mr. CAO Wei (曹偉), aged 43, was appointed as a Non-executive Director of the Company on 22 June 2020. He is primarily responsible for participating in decision making of important matters of the Group. He is a member of the Audit Committee of the Company.

Mr. CAO has more than 11 years of experience in finance and investment management. From July 2003 to August 2004, Mr. CAO was an associate at Boston Consulting (Shanghai) Co., Ltd., a management consulting firm where Mr. CAO was primarily responsible for conducting consulting projects for clients in Greater China. He later worked in Warburg Pincus, an investment management firm, as a principal from September 2004 to June 2014, where he was responsible for the investment consulting in the consumer and retail sectors in Greater China. Since July 2014, Mr. CAO has been working in Hillhouse Yali (Beijing) Investment Consulting Company Limited (高瓴雅禮(北京)投資諮詢有限公司) ("**Hillhouse Yali**"). He is currently a partner of Hillhouse Yali and is primarily responsible for private equity investment in consumer and retail industries. Mr. CAO has also been appointed as the independent non-executive director of People.cn Co., Ltd, (stock code: 603000.SH), a company listed on the Shanghai Stock Exchange, since December 2017, and a director of Kidswant Children's Supplies Co., Ltd. (stock code: 301078.SZ), a company listed on the Shenzhen Stock Exchange starting from October 2021, since February 2018.

Mr. CAO graduated from Tsinghua University with a bachelor's degree in Accounting in July 2001 and obtained a master's degree in Accounting from the Tsinghua University in July 2003.

Independent Non-Executive Directors

Mr. Bruno Robert MERCIER, aged 62, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. Mr. MERCIER is responsible for supervising and providing independent judgement to the Board. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. MERCIER is currently a board director of Home Chain Foods International (the holder of the Burger King franchise in Taiwan) and Gramona SA, a family-owned Spanish premium winery, and a member of the Supervisory Board of CityHoldings Co., Ltd, a private company incorporated in Yangon, Myanmar, engaged in retail, food service and distribution in Myanmar since 7 February 2022.

Mr. MERCIER is also advisor to corporations (e.g. Driscoll's China) as well as to a number of private equity/venture capital funds (e.g. Nexus Point Capital), a member of the Bain Advisors Network, and an investor in tech start-ups focused on retail and consumer goods.

From 2011 to July 2017, Mr. MERCIER was chief executive officer and executive director of Sun Art Retail Group, one of China's largest and most profitable food retailers, listed on The Stock Exchange of Hong Kong Limited (6808.HK). Concurrently, he was the chairman of the board of RT Mart International in Taiwan. From 1999 to 2011, Mr. MERCIER worked in the Auchan Group in different roles as development director, store manager and chief executive officer of Auchan China, one of the subsidiaries of Sun Art Retail Group.

Mr. MERCIER holds a master of business administration degree and a certificate in corporate governance from INSEAD, and an engineering degree from the École Nationale Supérieure Agronomique de Toulouse in France.

Mr. MERCIER also has many years of experience working in the consumer goods and consulting industries from 1983 to 1998, notably with Groupe Pernod Ricard, a global wines and spirits producer, in their China and Thailand operations as well as with McKinsey & Company in France and Asia. Mr. MERCIER has spent more than 30 years in Asia, mainly in China. He speaks fluent Chinese, is an honorary citizen of the city of Suzhou and was awarded the Golden Magnolia medal by Shanghai City government in 2011.

Board of Directors and Senior Management

Ms. NGAN Edith Manling (顏文玲), aged 57, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. She is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Ms. NGAN is currently an independent non-executive director of the boards of the Tencent Music Entertainment Group ("**TME**"), a company listed on the New York Stock Exchange and Blue Insurance Limited ("**Blue**"), a regulated entity of the Hong Kong Insurance Authority. She is the member of the Audit Committee of TME and the chairman of the Audit Committee and a member of the Risk Committee of Blue.

Ms. NGAN has extensive experience in public and private financial and corporate management, governance and business development. Between 1996 to 2010, she held regional management positions in financial groups including Invesco, Principal and ABN AMRO. From 2010 to 2017, Ms. NGAN led educational and professional institutions successively at the Asia Society Hong Kong Centre, the Hong Kong Securities and Investment Institution, and RICS International.

Ms. NGAN is also an active member of the community and serves on various investment committees of government funds. She was the chairman of the Audit Committee of Lingnan University between 2014 and 2018 during her tenure as Council Member from 2012 to 2018. Ms. NGAN is currently a member of both the Hong Kong SAR Government Standing Commissions on Civil Service Pay and Conditions of Service, and of the Disciplined Services Salaries and Conditions of Service. She has also served as the Alternate Chair of the Pay Trend Survey Committee since 2019. She was awarded the Medal of Honour by the Hong Kong SAR Government in July 2014.

Ms. NGAN received her Bachelor of Science degree in industrial engineering and engineering management from Stanford University and is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

Mr. HU Yebi (胡野碧) (**with former name as HU Guiping** (胡貴平)), aged 58, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. Mr. HU is responsible for supervising and providing independent judgement to the Board. He is the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. HU has over 20 years of experience in the fields of securities, financial services as well as mergers and acquisitions.

From March 1994 to March 2002, he worked at DBS Asia Capital Limited, where his last position was managing director of the equity capital markets division. Since April 2004, Mr. HU has been the director of, and since June 2006, has been the chairman of Vision Finance Group Limited (formerly known as Partners Capital Asset Management Limited), a Hong Kong-based comprehensive financial services company focusing on investment holding.

Mr. HU was also an executive director of each of Hua Lien International (Holding) Company Limited (stock code: 00969) from December 2010 to July 2017, Tai United Holdings Ltd. (stock code: 00718) from July 2014 to October 2016, Beijing Properties Holdings Limited (stock code: 00925) from December 2015 to November 2018, China Healthwise Holdings Limited (stock code: 00348) ("**China Healthwise**") from October 2016 to March 2017 and Beijing Enterprise Medical and Health Industry Group Limited (stock code: 02389) from May 2017 to October 2018, respectively, each a company listed on the Main Board of the Stock Exchange. He was also the vice chairman of the board of China Healthwise from October 2016 to March 2017. Mr. HU was the executive director (April 2015 to November 2018) of Beijing Sports and Entertainment Industry Group Limited (stock code: 01803), a company listed on the Main Board of the Stock Exchange, and has been its non-executive director since November 2018. Since December 2018, he has acted as the independent non-executive director of China Grand Pharmaceutical and Healthcare Holdings Limited (stock code: 00512), a company listed on the Main Board of the Stock Exchange. He has also acted as the independent non-executive director of Gemdale Corporation (600383.SH), a company listed on the Shanghai Stock Exchange, since August 2019.

Mr. HU received his postgraduate certificate in management engineering from Beijing Institute of Technology (北京理工大學) (formerly known as Beijing Institute of Technology (北京工業學院)) in August 1986. He received his master of business administration degree from Netherlands International Institute of Management (Research — instituut voor Bedrijfswetenschappen) in September 1989.

The above mentioned Executive Directors of the Company also serve as members of the senior management of the Group.

Corporate Governance Report

Compliance with the Code on Corporate Governance Practices

The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules applicable to the Company in the year ended 31 December 2021 (the "**CG Code**"), and the Company has adopted the CG Code as its own corporate governance code. The CG Code has been applicable to the Company since the Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code for the year ended 31 December 2021.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code of conduct for Directors' securities transactions. Each Director had been given a copy of the code of conduct regarding security transactions upon his/her appointment, and the Company issues two reminders each year thereafter, being 30 days prior to the Board meeting approving the interim results of the Company and 60 days prior to the Board meeting approving the annual results of the Company, reminding the Directors that they (including their respective spouse, minor child and others whose dealings are treated as dealings by them under the Model Code) are not allowed to deal in the securities of the Company prior to and on the day of publication of the announcement of the results (the periods during which the Directors are prohibited from dealing in shares), and that all transactions must be conducted according to the Model Code.

After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code during the year ended 31 December 2021.

Board of Directors

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders.

As at 31 December 2021, the Board comprised five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Board has met the requirements of Rule 3.10 and Rule 3.10A of the Listing Rules of having at least three Independent Non-executive Directors (representing at least one-third of the Board). In addition, Ms. NGAN Edith Manling, an Independent Non-executive Director, has the appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Company has received written confirmation from each of its Independent Non-executive Directors in respect of their independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors are independent.

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Company. They have the same duties of care and skill and fiduciary duties as the Executive Directors.

Biographical details of the Directors and senior management of the Company as at the date of this annual report are set out on pages 42 to 47 of this annual report. Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the Shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee different areas of the Company's affairs. All Board committees of the Company are established with their respective written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request.

The composition of the Board and the Board committees are set out below and their respective responsibilities and work performed during the year are discussed in this annual report.

Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Ms. PAN Dong *(Chairman)*	–	✓	✓ *(Chairman)*
Mr. LUO Qiuping *(Chief Executive Officer)*	–	–	–
Ms. LUO Dong	–	–	–
Mr. POON Kwok Leung	–	–	–
Ms. XIAO Haishan	–	✓	–
Non-executive Director			
Mr. CAO Wei	✓	–	–
Independent Non-executive Directors			
Mr. Bruno Robert MERCIER	✓	✓	✓
Ms. NGAN Edith Manling	✓ *(Chairman)*	✓	–
Mr. HU Yebi	–	✓ *(Chairman)*	✓

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance policies and practices on compliance with legal and regulatory requirements of the Group. Further, the Board reviews the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments and training, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Executive Directors and members of senior management. The Company maintains appropriate directors' and officers' liabilities insurance and will conduct an annual review on such insurance coverage.

For the year ended 31 December 2021, the Board convened a total of 4 Board meetings based on the needs of the operation and business development of the Company. Details of attendance of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee meetings and the AGM are as follows:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Ms. PAN Dong *(Chairman)*	4/4	N/A	1/1	1/1	1/1
Mr. LUO Qiuping *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	1/1
Ms. LUO Dong	4/4	N/A	N/A	N/A	1/1
Mr. POON Kwok Leung	4/4	N/A	N/A	N/A	1/1
Ms. XIAO Haishan	4/4	N/A	1/1	N/A	1/1
Non-executive Director					
Mr. CAO Wei	4/4	7/8	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Bruno Robert MERCIER	4/4	8/8	1/1	1/1	1/1
Ms. NGAN Edith Manling	4/4	8/8	1/1	N/A	1/1
Mr. HU Yebi	4/4	N/A	1/1	1/1	1/1

Under the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals. The Board held four meetings at approximately quarterly intervals during the year ended 31 December 2021 in accordance with the CG Code. Apart from regular Board meetings, the Chairman will also hold meeting(s) annually with the Independent Non-executive Director without the presence of other Directors.

For the year ended 31 December 2021, the Board has reviewed the Group's corporate governance policies and practices, training and continuous professional development of its Directors and senior management, the Model Code, and the Group's compliance with the CG Code.

Relationship Among the Directors

There are no financial, business, family or other material/relevant relationships between any members of the Board throughout the year ended 31 December 2021, save that Ms. PAN Dong is the wife of Mr. LUO Qiuping. In the Board's opinion, this relationship does not affect the Directors' independent judgement and integrity in executing their roles and responsibilities. The Non-executive Director and the Independent Non-executive Directors bring a variety of experience and expertise to the Company.

Responsibilities of the Board and the Management

The Board is responsible for the leadership and directing and supervising of the Group's businesses, strategic decisions and performance. The Board reserves for its discretion on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. The Board is also responsible for developing and reviewing the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives. Responsibilities relating to implementing decisions of the Board, directing and coordinating the day-to-day operation and management of the Group are delegated to the chief executive officer and the management of the Group.

Directors' Training

The Company recognises the importance of keeping the Directors updated with the latest information regarding the duties and obligations of a director of a company which shares are listed on the Stock Exchange and the general regulatory requirements and environment for such listed company.

To meet this goal, each newly appointed Director would receive introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. As part of the continuous professional development programme pursuant to the CG Code, the Company has also updated the directors of the Company of any material changes in the Listing Rules and corporate governance practices from time to time.

During the year ended 31 December 2021, all directors of the Company attended training to ensure they are apprised of the latest development regarding the Listing Rules and other applicable statutory requirements on listed companies, and to refresh their knowledge and skills in relation to their contribution to the Board. In addition, all Directors of the Company are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the directors of the Company abreast of such duties and responsibilities.

Appointment and Re-election of Directors

The Nomination Committee took into consideration criteria such as difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board when considering the appointment of new Directors. Currently, all Directors are appointed for a specific term of three years.

Pursuant to Article 84(1) of the Articles of Association, Ms. LUO Dong, Mr. POON Kwok Leung and Ms. XIAO Haishan shall retire by rotation at the forthcoming AGM. All of them, being eligible, will offer themselves for re-election.

Chairman and Chief Executive Officer

During the year and as at the date of this annual report, the Chairman and the Chief Executive Officer of the Company are Ms. PAN Dong and Mr. LUO Qiuping, respectively. The roles of the Chairman and Chief Executive Officer are clearly defined and segregated to ensure independence and accountability of their functions and balanced distribution of authority and power between them.

The Chairman has executive responsibilities, provides leadership to, and oversees the functioning of, the Board to ensure that it acts in the best interests of the Group, while the Chief Executive Officer is delegated with the authority to manage the business of the Group in all aspects effectively and is accountable to the Board for the overall implementation of the Company's strategies and management of the operations of the Board. The division of work ensures a definite division of powers and obligations to enable efficient decisions and implementations by the Board and the management.

Audit Committee

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to (among other things) (i) review and supervise the financial reporting process, risk management and internal control system of the Group, (ii) review the financial information of the Group, and (iii) consider issues in relation to the external auditors and their appointment.

In accordance with the terms of reference of the Audit Committee, it is responsible for:

- reviewing accounting policies adopted by the Group and issues related to accounting practice;
- reviewing the external auditor's qualifications, independence and performance;
- reviewing the external auditor's management letter and the management's response;
- reviewing the audited annual results and consolidated financial statements of the Group;
- assisting the Board to evaluate on the effectiveness of financial reporting procedures and internal control system; and
- advising on material events or drawing the attention of the management on related risks.

Having conducted the relevant review, the Audit Committee is of the view that the consolidated financial statements of the Group for the year ended 31 December 2021 comply with the applicable accounting standards and the Listing Rules, and that sufficient disclosures have been made.

The Audit Committee comprises one Non-executive Director and two Independent Non-executive Directors, namely, Mr. CAO Wei, Mr. Bruno Robert MERCIER and Ms. NGAN Edith Manling. The chairman of the Audit Committee is Ms. NGAN Edith Manling, who has a professional qualification in accountancy.

According to the CG Code, the Audit Committee must meet with the Company's auditors at least twice a year. In accordance with the terms of reference of the Audit Committee, the Audit Committee held eight meetings during the year ended 31 December 2021 and seven meetings with the Company's external auditors regarding the review of the Company's financial report and accounts.

Remuneration Committee

The Board has established a remuneration committee ("**Remuneration Committee**") with written terms of reference in compliance with Rule 3.26 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to (among other things) (i) formulate, the Company's remuneration policy and structure for all Directors' and senior management's remuneration, (ii) recommend to the Board on remuneration packages of individual Executive Directors and senior management, (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, (iv) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate, (v) assess performance of Executive Directors, and (vi) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration. The emoluments of Directors are determined by reference to the skills, experience, responsibilities, employment conditions and time commitment in the Group's affairs and performance of each Director as well as salaries paid by comparable companies and the prevailing market conditions.

The Remuneration Committee comprises two Executive Directors and three Independent Non-executive Directors, namely, Ms. PAN Dong, Ms. XIAO Haishan, Mr. Bruno Robert MERCIER, Ms. NGAN Edith Manling and Mr. HU Yebi. The chairman of the Remuneration Committee is Mr. HU Yebi.

The Remuneration Committee held one meeting during the year ended 31 December 2021 to perform its duties.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining, the Group, or as compensation for loss of office.

Further details of the remuneration for the year ended 31 December 2021 are set out in note 8 to the consolidated financial statements contained in this annual report.

Nomination Committee

The Board has established a nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to (among other things) (i) review the structure, size, composition and diversity (including the skills, knowledge, experience and gender) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having regard to the diversity policy, (iii) assess the independence of Independent Non-executive Directors, (iv) recommend to the Board on the appointment and re-appointment of directors, and (v) recommend to the Board on the succession planning for directors, in particular the chairman and the chief executive of the Company.

The Nomination Committee comprises one Executive Director and two Independent Non-executive Directors, namely, Ms. PAN Dong and Messrs. Bruno Robert MERCIER and HU Yebi. The chairman of the Nomination Committee is Ms. PAN Dong.

The Nomination Committee held one meeting during the year ended 31 December 2021 to perform its duties.

Nomination Policy

The Company has clear basis and procedures for the nomination and appointment of Directors. The Board will take into account factors such as qualifications, skills, experience, character and integrity, independence and diversity of the candidates, and whether or not the candidate is willing and able to devote adequate time to discharge duties as a member of the Board and Board committee upon receipt of the proposal of appointment of new Directors or the nomination proposal made by the Shareholders at general meetings of the Company. Selection of candidates will also take into account the diversity policy. When Directors are re-elected at general meetings, apart from the above standards, the Board will also review the overall contributions and services of retiring Directors to the Company and their level of participation and performance in the Board.

Board Diversity

The Board has adopted a policy which sets out the approach to achieving diversity for the Board.

The Company endorses the principle that the Board should have a balance of skills and experience appropriate to the business of the Group. In order to achieve a diversity of perspectives among members of the Board, it is the policy of the Company to consider a number of factors when making nominations to the Shareholders for appointments to the Board and the continuation of those appointments. The Board considers, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors which the Board may consider relevant and applicable from time to time.

Selection of candidates will be based on the nomination policy of the Company and will take into account the Board's diversity policy (the "**Board Diversity Policy**"). The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Nomination Committee will monitor the implementation of this policy by conducting a review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the policy when making recommendations on any Board appointments. The Nomination Committee will also ensure that Board diversity is considered as part of the evaluation of the Board's effectiveness.

The Nomination Committee has been delegated the responsibility to review the policy, as appropriate, to ensure the effectiveness thereof. The Nomination Committee will discuss any revisions to the policy that may be required and make recommendations to the Board for approval.

The Board is responsible for reviewing the diversity of the Board. During the year ended 31 December 2021, the Board has four female Directors and five male Directors of a variety of education and professional background, who possess a diverse range of experience, skills and expertise and bring different insights to the Board. They monitored the implementation of the Board Diversity Policy, reviewed the Board Diversity Policy and is satisfied with its effectiveness to achieve the diversity of the Board.

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors are responsible and acknowledge their responsibility for overseeing the preparation of financial statements for each financial period to ensure that they give a true and fair view of the financial position of the Company and the Group, and of the Group's financial performance and cash flows for that period. The Directors also ensure the timely publication of the financial statements of the Company. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 65 and 151.

Company Secretary

Mr. POON Kwok Leung is the Company Secretary of the Company. He has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. The biographical information of Mr. POON is set out in the section headed “Board of Directors and Senior Management” on page 43 of this annual report. Mr. POON has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2021 in compliance with Rule 3.29 of the Listing Rules.

Risk Management and Internal Control

A sound and effective system of risk management and internal control is designed to achieve the Group’s objectives, including operating efficiency and effectiveness, reliability of financial reporting, compliance with applicable laws and regulations, and safeguard shareholder investments and the Group’s assets.

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group’s risk management and internal control system. Such systems are designed to identify and manage risks within acceptable limits rather than eliminate risk of failure to achieve business and strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board monitors the Group’s risk exposure, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. The Board will seek support from the Audit Committee on such monitoring from time to time. Management is also delegated with the responsibility to design, implement and monitor risk management and internal control systems on an ongoing basis. Policies and procedures form the basis and set forth the control standards required for functioning of the Group’s business entities. These policies and procedures cover various aspects, including operations, finance and accounting, human resources, regulatory and compliance, delegation of authority, etc.

The Group has developed its risk management and internal control system based on the five features of the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework (i.e. internal control environment, risk assessment, control activities, information and communication, supervision). At the same time, the Group has also established three lines of defense for risk management. The business and planning departments act as the first line of defense to identify existing and potential risks in daily operations and to manage such risks. The finance, legal affairs, environment, health and safety and quality assurance departments form the second line of defense to conduct professional risk management, assist and supervise risk management in the business and strengthen internal control. The internal audit function acts as the third line of defense and provides independent and objective evaluation and verification of the effectiveness of the Group’s risk management and internal control system. Each line of defense adheres to the Group’s values of trust, respect and excellence, and is committed to promoting and maintaining operational compliance, integrity in the operating environment and corporate culture.

Since 2021, the Group has established comprehensive risk management to effectively manage and alleviate risks inherent in the business to protect the Group, its customers and partners, and to fulfil its regulatory obligations. An ongoing process has been established since 2021 for identifying, evaluating and managing the significant risks faced by the Group. The process involves:

(i) **Risk Identification**: identify risks that may potentially affect the Group's businesses and operations;

(ii) **Risk Evaluation**: consider the impact on the business and the likelihood of their occurrence; and

(iii) **Risk Management**: perform ongoing and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

The risk management team conducts annual risk assessments in a top-down manner beginning with the person-in-charge from each sector and business department. Relevant opinions are ranked in order of importance based on risk assessment standards and are sorted and evaluated. After the risk assessment is completed, an audit plan is prepared to determine the key risk areas which will be further refined based on the opinions of senior management. Through this top-down approach, the risk management team can often re-evaluate risks that were initially listed as low-priority items and identify such risks that may have been overlooked. The risk management team will then conduct a review during the year and issue a risk management report. Review work is a fundamental part of the audit plan and results from the review will be the basis for future remedial actions to be taken by the Group to reduce risks and improve business performance. The Audit Committee is responsible for reviewing the risk management report and supervising the implementation of relevant remedial action plans.

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Group assets. The Board has conducted a review on the Group's risk management and internal control systems and their effectiveness. The review covered the period from 1 January 2021 to 31 December 2021 and all material controls, such as financial control, operational control and compliance control including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. Going forward, the Board will review the Group's risk management and internal control systems at least once a year.

The management of the Group has confirmed to the Board that the Group's risk management and internal control systems are effective and adequate. Based on the review and management's confirmation, the Board considered that the risk management and internal control systems of the Group of the reporting year are effective and adequate. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programmes and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

Internal Audit

The Group has an internal audit function (the "**Internal Audit**") which is being carried out collectively by the internal control, accounting and supervision teams. The Internal Audit function is independent from operation management and has full access to data required in performing internal audit reviews. Internal audits are conducted according to the annual internal audit plan to review the major operational, financial, compliance and risk management controls of the Group. During the process of the internal audit, the Internal Audit function will identify internal control deficiencies and weaknesses and propose recommendations for improvements. Internal audit findings and control deficiencies are communicated to the internal audit team and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. The Audit Committee is responsible for reviewing the internal audit plan and supervising the implementation of remedial actions. A follow-up review would also be performed to ensure remedial actions are adequately implemented.

Inside Information

The Group is aware of its obligations under relevant sections of the SFO and Listing Rules. For the year ended 31 December 2021, the Group has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- putting in place procedures to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;

- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and

- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

Dividend Policy

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow the Shareholders of the Company to participate in the Company's profits, while also ensuring that adequate reserves are retained for future prospects of the Group.

According to the Dividend Policy, in deciding whether to declare or recommend any dividend distribution, the Directors will consider, among other things, the Company's results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable PRC laws and regulations in respect of repatriation of dividends and distributions, the Cayman Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time, the other applicable laws and regulations and all other relevant factors.

Any declaration and payment of dividend shall remain to be determined at the discretion of the Board and subject to compliance with all applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association. The Board will review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Remuneration Policy

The Group offers a competitive remuneration and benefits package to its employees. The Group also participates, in accordance with the requirements of PRC laws and regulations, in various employee social insurance plans (including pension, unemployment insurance, medical insurance, employment injury insurance and maternity insurance) and housing provident schemes for the employees, which are managed by local governments. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance.

During the year, details of benefits and interests of Directors (which are all senior management of the Company) and five highest paid individuals, and the remuneration by band of the two highest paid employees excluding the directors for the year are set out in note 8 to the consolidated financial statements.

Auditor's Remuneration

The remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, and their affiliated firms, for its audit/audit-related services and non-audit services for the year ended 31 December 2021 were HK$4.3 million and HK$1.1 million, respectively.

Corporate Social Responsibility

The Group is committed to being a successful and responsible corporate citizen. As such, the Group is committed not only to delivering quality products and service to customers of the Group, and strong and sustained financial performance to the Shareholders, but also to contributing into the communities where the Group conducts business. The Group aims to achieve this by, among other things, ensuring that employees of the Group are treated with fairness and respect, and by achieving the goals of the Group through environmentally-friendly means.

Environment and Compliance with Laws

The Group is committed to minimising the impact on the environment from the business activities and the details of such efforts are set out in the Environmental, Social and Governance Report. 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 respects, including requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Listing Rules, the SFO and the CG Code for among other things, disclosure of information and corporate governance.

Material Change in the Articles of Association

No changes have been made to the articles of association of the Company (the "**Articles of Association**") by the Company for the year ended 31 December 2021.

Relationship with Stakeholders

The Group recognises that the interests of stakeholders, including employees, the Shareholders and investors, customers, suppliers, government entities, industry partners and community partners have significant impact on the Group, and are vital to the sustainable development of its business operation and therefore, the Group is committed to maintaining effective communication with the stakeholders to enhance the relationship and co-operation for the long-term development of the Group.

Further information on how the Group communicates with different stakeholders are set out in the Environmental, Social and Governance Report which will be published on the websites of the Company and the Stock Exchange.

Investor and Shareholder Relations

The Board believes that effective and proper investor relations play an important role in creating shareholders' value and enhancing corporate transparency, as well as establishing market confidence. As such, the Board is dedicated to maintaining an ongoing dialogue with the investors and the Shareholders of the Company.

Information is communicated to the investors and the Shareholders mainly through the Company's financial reports (interim and annual reports), general meetings, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. Investors' and analysts' briefings and roadshows, and press conferences are conducted on a regular basis in order to facilitate communication between the Company, the investors and the Shareholders.

To facilitate the exchange of views between the Shareholders and the Board, the Board members (or their delegates (if applicable)), appropriate executive management personnel and the external auditor will attend the AGM and answer questions raised by the Shareholders.

Shareholders' Rights

The Company aims, via its corporate governance structure, to enable all its Shareholders an equal opportunity to exercise their rights in an informed manner and allow them to engage actively with the Company.

Under the Articles of Association, the shareholder communication policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among other thing, the following rights:

Right to convene extraordinary general meetings

Pursuant to Article 58 of the Articles of Association, extraordinary general meetings may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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/herself (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.

The Shareholders may also contact the Investor Relations Department of the Company from time to time to understand the information published by the Company. The Company will inform the Shareholders of the designated email address and enquiry hotline of the Company so that they can make any inquiries of the Company.

Right to participate at general meetings

The Company encourages the Shareholders to participate in general meetings, either in person or via proxies, to exercise their rights. The general meetings provide important opportunities for the Shareholders to express their views to the Board and management. The Company provides details of the general meetings to the Shareholders in a notice prior to the meeting in compliance with the Articles of Association of the Company and the Listing Rules. The Shareholders are encouraged to ask questions about or comment on the results, operations, strategy and/or management of the Group at general meetings. The chairman of the Board committees, appropriate management executives and auditors of the Company will be available at general meetings to answer questions from the Shareholders. Time is set aside in each general meeting for such question and answer sessions.

Right to put enquiries and proposals to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the Company Secretary by directing them to the Company's principal place of business in Hong Kong at Unit 4606, 46/F, COSCO Tower, Grand Millennium Plaza, No. 183 Queen's Road Central, Hong Kong.

The Company publishes on its website the latest company news relating to the Group on a regular basis. The public is welcome to provide opinions and make enquiries through the Company's website.

The shareholder communication policy sets out detailed procedures under which the Shareholders of the Company may communicate to the Board any enquiries they may have. All shareholder correspondences received by the Company will be delivered to the Group's investor relation staff for an initial review. The investor relation staff will maintain a log of the correspondences and forward either a summary or copies of the correspondences to the Board for consideration at its next meeting.

The Board recognises its responsibility to represent the interests of all Shareholders and to maximise shareholder value. Therefore, the Board strongly encourages Shareholders to put forward proposals at general meetings including written notice of those proposals that could be addressed to the Company Secretary at the above address.

Independent Auditor's Report

To the Shareholders of Blue Moon Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Blue Moon Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") which are set out on pages 70 to 151, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our Opinion

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matter identified in our audit is related to expected credit loss allowance for trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss allowance for trade receivables Refer to notes 3.1(b) and 19 to the consolidated financial statements. As at 31 December 2021, the Group had gross trade receivables of HK$2,158 million and expected credit loss allowance for trade receivables amounted to HK$24 million. Loss allowance for trade receivables was provided based on the simplified approach of the expected credit loss model prescribed under HKFRS 9. Management applied judgement in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on their shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.	We have performed a combination of test of controls and substantive tests, including: • Understood management's internal controls and assessment processes of estimating expected credit loss allowance for trade receivables; • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors involved in the loss allowance estimation such as subjectivity; • Assessed the appropriateness of the expected credit loss provisioning methodology used by the Group; • Evaluated and tested the relevant controls over the estimation of such loss allowance; • Discussed with management to understand and assess the reason behind each individual provision, if any, and corroborating with independent online research on credit information;

Key Audit Matter	How our audit addressed the Key Audit Matter
In developing the loss allowance, the expected credit loss rates of trade receivables assessed individually are determined based on corresponding external default data of the customers, their repayment and default histories and on-going business relationship with them. For trade receivables assessed collectively, the expected credit loss rates are determined based on historical credit losses experienced. The loss rates are then adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on the expected credit loss allowance for trade receivables due to the magnitude of gross trade receivables balance at the year end date and the estimation of relevant expected credit loss involves significant judgement and subjective assumptions.	• Involved our in-house systems and process expert to perform report assurance over the trade receivables ageing profiles adopted in the collective assessment; and • Assessed the estimates used to determine the expected credit losses by considering cash collection performance against historical trends; • Discussed with management to understand and assessed the nature and the judgement including forward looking elements such as macroeconomic factors of China adopted to estimate the expected credit loss provision; • Evaluated the outcome of prior year's expected credit loss allowance by testing, on a sample basis, the settlement of trade receivables during the year by checking to relevant bank receipt records. Based on the above, we considered management's judgements and assumptions applied in determining the expected credit loss allowance of trade receivables were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in 2021 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which are obtained prior to the date of this auditor's report, and 2021 Environmental, Social and Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read 2021 Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee 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 HKFRSs issued by the HKICPA 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, 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 scepticism 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 the Audit Committee 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 the Audit Committee 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 matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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 this independent auditor’s report is Ms. Chung Kit Yi, Kitty.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	5	**7,597,481**	6,996,348
Cost of sales	7	**(3,158,683)**	(2,482,592)
Gross profit		**4,438,798**	4,513,756
Other income and other gains, net	6	**92,918**	72,116
Selling and distribution expenses	7	**(2,391,969)**	(2,016,552)
General and administrative expenses	7	**(978,299)**	(822,440)
Provision for impairment losses of financial assets	19	**(11,608)**	(791)
Operating profit		**1,149,840**	1,746,089
Finance income	10	**141,910**	10,816
Finance costs	10	**(20,739)**	(7,258)
Finance income, net	10	**121,171**	3,558
Profit before income tax		**1,271,011**	1,749,647
Income tax expense	11	**(256,596)**	(440,236)
Profit for the year		**1,014,415**	1,309,411
Profit attributable to equity holders of the Company		**1,014,415**	1,309,411

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		**1,014,415**	1,309,411
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences from translation of financial statements of subsidiaries		**229,828**	218,757
Other comprehensive income for the year, net of tax		**229,828**	218,757
Total comprehensive income for the year		**1,244,243**	1,528,168
Total comprehensive income attributable to equity holders of the Company		**1,244,243**	1,528,168
Earnings per share attributable to equity holders of the Company			
Basic (HK cents)	13	**17.49**	26.03
Diluted (HK cents)	13	**17.39**	25.97

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Intangible assets	15	**186,865**	197,251
Property, plant and equipment	16	**1,534,135**	1,382,474
Right-of-use assets	17	**495,578**	416,460
Prepayments for property, plant and equipment	20	**66,282**	49,446
Deferred income tax assets	26	**42,967**	7,908
		2,325,827	2,053,539
Current assets			
Inventories	18	**385,968**	469,789
Trade and bills receivables	19	**2,253,099**	2,014,298
Prepayments, deposits and other receivables	20	**313,186**	319,089
Restricted cash	21	**—**	17,822
Cash and cash equivalents	21	**9,233,656**	10,921,095
Tax recoverable		**—**	7,505
		12,185,909	13,749,598
Total assets		**14,511,736**	15,803,137
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**58,595**	57,471
Other reserves	24	**10,074,014**	9,920,729
Retained earnings		**2,213,813**	1,701,221
Total equity		**12,346,422**	11,679,421

		As at 31 December	
		2021	2020
	Note	**HK$'000**	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred government grant	25	**64,784**	64,377
Deferred income tax liabilities	26	**121,555**	78,456
Lease liabilities	17	**75,087**	25,609
		261,426	168,442
Current liabilities			
Trade and bills payables	27	**661,633**	548,044
Contract liabilities	5	**60,346**	30,779
Accruals and other payables	28	**753,768**	812,095
Amounts due to a related company	31	**407**	505
Dividend payable	12	**—**	2,300,000
Current income tax liabilities		**266,443**	231,716
Borrowings	29	**100,000**	—
Lease liabilities	17	**61,291**	32,135
		1,903,888	3,955,274
Total liabilities		**2,165,314**	4,123,716
Total equity and liabilities		**14,511,736**	15,803,137
Net current assets		**10,282,021**	9,794,324
Total assets less current liabilities		**12,607,848**	11,847,863

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

These consolidated financial statements on pages 70 to 151 have been approved for issue by the Board of Directors on 29 March 2022 and were signed on its behalf.

Pan Dong
Director

Poon Kwok Leung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company			
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total equity HK$'000
As at 1 January 2021	57,471	9,920,729	1,701,221	11,679,421
Profit for the year	—	—	1,014,415	1,014,415
Other comprehensive income:				
Exchange translation of foreign operations	—	229,828	—	229,828
Total comprehensive income for the year	—	229,828	1,014,415	1,244,243
Transactions with the owners of the Company				
Issuance of ordinary shares upon:				
— over-allotment (Note 22)	1,120	1,473,702	—	1,474,822
— exercise of share options (Note 23(a))	4	1,424	—	1,428
Listing expenses charged	—	(29,505)	—	(29,505)
Dividend relating to 2020 (Note 12)	—	—	(404,284)	(404,284)
Share-based compensation expense (Note 23)	—	30,978	—	30,978
Purchase of shares held for Share Award Plan (Note 23(b))	—	(1,650,681)	—	(1,650,681)
Appropriation to statutory surplus reserves	—	97,539	(97,539)	—
As at 31 December 2021	58,595	10,074,014	2,213,813	12,346,422

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company			
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total equity HK$'000
As at 1 January 2020	—	58,853	2,804,226	2,863,079
Profit for the year	—	—	1,309,411	1,309,411
Other comprehensive income:				
Exchange translation of foreign operations	—	218,757	—	218,757
Total comprehensive income for the year	—	218,757	1,309,411	1,528,168
Transactions with the owners of the Company				
Issuance of ordinary shares upon:				
— capitalisation issue (Note 22)	50,000	(50,000)	—	—
— initial public offerings (Note 22)	7,471	9,824,713	—	9,832,184
Listing expenses charged (Note 22)	—	(214,433)	—	(214,433)
Dividend relating to 2020 (Note 12)	—	—	(2,336,664)	(2,336,664)
Share-based compensation expense (Note 23(a))	—	7,087	—	7,087
Appropriation to statutory surplus reserves	—	75,752	(75,752)	—
As at 31 December 2020	57,471	9,920,729	1,701,221	11,679,421

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**1,496,230**	1,693,254
Interest received		**141,910**	10,816
Income taxes paid		**(216,485)**	(398,641)
Net cash inflow from operating activities		**1,421,655**	1,305,429
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(299,854)**	(251,071)
Proceeds from disposal of property, plant and equipment	30(b)	**43,743**	46,111
Acquisition of intangible assets		**(25,110)**	(70,330)
Release of restricted cash		**18,084**	9,439
Net cash outflow from investing activities		**(263,137)**	(265,851)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon initial public offerings		**—**	9,832,184
Proceeds from issuance of ordinary shares upon over-allotment		**1,474,822**	—
Proceeds from issuance of ordinary shares upon exercise of share options		**1,428**	—
Payments for professional fees in connection with the listing of the Company		**(126,099)**	(159,445)
Purchase of shares held for Share Award Scheme		**(1,650,681)**	—
Interest paid		**(20,739)**	(11,903)
Proceeds from borrowings		**1,400,009**	28,344
Repayment of borrowings		**(1,300,059)**	(455,584)
Dividend paid		**(2,704,284)**	(84,925)
Principal elements of lease payments		**(56,436)**	(10,196)
Net cash (outflow)/inflow from financing activities		**(2,982,039)**	9,138,475
Net (decrease)/increase in cash and cash equivalents		**(1,823,521)**	10,178,053
Cash and cash equivalents at the beginning of year		**10,921,095**	690,064
Effect of exchange rate changes on cash and cash equivalents		**136,082**	52,978
Cash and cash equivalents at the end of year		**9,233,656**	10,921,095

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information

Blue Moon Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") are principally engaged in the design, research, development, manufacture and sale of (i) personal hygiene products, (ii) home care products, and (iii) fabric care products in the People's Republic of China (the "**PRC**").

The Company is a limited liability company incorporated in the Cayman Islands on 27 December 2007. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The ordinary shares of the Company (the "**Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 December 2020.

Ms. PAN Dong is the ultimate controlling shareholder of the Company and Mr. LUO Qiuping, the Chief Executive Officer of the Company, is the husband of Ms. PAN Dong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Amended standards adopted by the Group

The Group has applied the following amendments to existing standards for the first time for their annual reporting period commencing 1 January 2021:

Amendments to HKFRS 16	COVID-19-related rent concessions
Amendments to Hong Kong Accounting Standards ("**HKAS**") 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The amendments to existing standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standard and amendments to standards not yet adopted

A new accounting standard and certain amendments to existing standards have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — costs of fulfilling a contract	1 January 2022
Amendments to HKFRS 3 (Revised)	Update reference to the conceptual framework	1 January 2022
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018–2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1 (Revised)	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standard and amendments to standards not yet adopted (continued)

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company are of the opinion that the adoption of the above new standard and amendments to existing standards would not have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standard and amendments to existing standards when they become effective.

2.2 Principle of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.2 Principle of consolidation (continued)

(b) Changes in ownership interests

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiary in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceed the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The functional currency of the majority of the Group's subsidiaries is Renminbi ("**RMB**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to its working condition and location for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

Buildings	30 to 50 years
Leasehold improvements	Shorter of the lease terms or 5 years
Plant and machinery	5 to 20 years
Furniture, fixtures and equipment	4 to 15 years
Motor vehicles	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount and are recognised in consolidated statement of comprehensive income.

Construction-in-progress represents buildings under construction and machineries and equipment under installation, which is stated at historical cost less accumulated impairment losses, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are ready for use, the costs are transferred to property, plant and equipment, depreciated and impaired, if any, in accordance with the policy as stated above.

2.7 Intangible assets

(a) Trademarks and patents

Separately acquired trademarks and patents are stated at historical cost. Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives of 10 years i.e. the license period.

(b) Computer software and system

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products and system controlled by the Group, and that will generate probable future economic benefits exceeding costs (beyond one year), are recognised as intangible assets.

Directly attributable costs that are capitalised as part of the software and system include the software and system development employee costs and an appropriate portion of relevant overheads.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

(b) Computer software and system (continued)

Computer systems under development are transferred to computer software upon the completion of the respective development, and amortisation will commence accordingly over their estimated useful lives of 5 to 10 years based on management's expectation on the technological lives of the systems, on a straight-line basis.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets as debt instruments to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(c) Measurement (continued)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 3.1(b) and 19 for further details.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There are also arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the applicable variable selling expenses.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2 Summary of significant accounting policies (continued)

2.12 Trade receivables (continued)

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

2.14 Share capital

Ordinary shares are classified as equity (Note 22).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 Summary of significant accounting policies (continued)

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Pension obligation

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

The Group also contributes on a monthly basis to various defined contribution plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities in respect of its employees in the People's Republic of China (the "**PRC**"). The Group contributes to these plans based on certain percentages of the total salary of employees, subject to certain ceiling, as stipulated by the relevant regulations.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(b) Share-based compensation

The Group operates two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options or awarded shares) of the Company. These plans comprise a share option scheme and a share award plan. The fair value of the employee services received in exchange for the grant of the options or the awarded shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or awarded shares granted:

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

Non-market performance and service conditions are included in assumptions about the number of options or awarded shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options or awarded shares that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Share option scheme

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(b) **Share-based compensation (continued)**

Share award plan

For the share award plan, the Group may purchase its own shares through the independent trustee of the share award plan from the open market for the shares to be vested under the share award plan. The consideration paid by the independent trustee, at the costs of the Company, for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award plan" as a deduction under equity. When the independent trustee transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for share award plan", with a corresponding adjustment made to reserves. The related share-based compensation expense is recognised in the consolidated statement of comprehensive income over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The grant by the Company of options over its equity instruments or awarded shares to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity.

(c) **Bonus plans**

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax ("**VAT**"), returns and rebates and after eliminating sales within the Group.

(a) **Sales of goods**

Revenue from the sales of goods is recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

(a) Sales of goods (continued)

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated returns and volume rebates (if any). Accumulated experience is used to estimate and provide for the returns and rebates, using the expected value method, based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected returns and volume rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms that are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the products delivered by the Group exceed the payments made by the counter parties, a contract asset is recognised. If the payments exceed the products delivered, a contract liability is recognised. A contract liability is the obligation to transfer goods to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(b) Interest income

Interest income is recognised using the effective interest method.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within “Other income and other gains, net” in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants that compensate the Group for the cost of an asset are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

2 Summary of significant accounting policies (continued)

2.23 Leases

The Group leases various properties. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets (excluding land use rights) may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any). The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are managed by the senior management under the Group's financial management policies and practices approved by the Board of Directors of the Company (the "**Board**") as described below.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong.

The functional currency of the Hong Kong reporting entities is HK$ and the transactions are mostly denominated in HK$.

Majority of the subsidiaries of the Group are operating in the PRC with most of the transactions and assets denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(ii) Interest rate risk

The Group's interest rate risk mainly arose from interest-bearing borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. The Group had not used any interest rate swap to hedge its exposure to interest rate risk. The Group's borrowings were carried at amortised cost.

As at 31 December 2021, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the year ended 31 December 2021 would have been HK$1,000,000 lower/higher, mainly as a result of higher/lower interest expense on borrowings with floating interest rates. As at 31 December 2020, the Group was not subject to interest rate risk as the Group did not have any interest-bearing borrowings.

The Group regularly monitors its interest rate risk by reference to anticipated changes in market interest rate to ensure there are no undue exposures to significant interest rate movements.

(iii) Price risk

The Group purchases palm oil as one of its major raw materials for its manufacturing process, and is exposed to fluctuation in its market price. The Group does not use any derivative instruments to manage its economic exposure to the change in price of raw materials.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

(i) Risk management

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from cash and bank balances deposited in financial institutions, trade and bills receivables, deposits and other receivables (except for prepayments). The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties, therefore, the expected credit loss for cash and bank balances is minimal. The Group has no policy to limit the amount of credit exposure to any financial institutions.

Sales are generally on open account with credit terms of up to 60 days to key account clients, major online e-commerce customers and, on a discretionary basis, certain offline distributors with good credit history during the year ended 31 December 2021. The remaining balances are covered by either (i) letters of credit with bills payable at sight or (ii) advances receipt. Advances are widely received for sales to majority of offline distributors and individual customers who placed orders through various online e-commerce channels. These receipts from online individual customers are often maintained in payment intermediaries which the Group recognises as other receivables. The Group considers credit risk of these payment intermediaries low and no impairment losses are provided for (Note 3.1(b)(ii)).

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group also has policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. At as 31 December 2021, trade receivables of HK$2,158,290,000 (2020: HK$1,968,978,000) were due from companies operating under domestically well-known supermarkets, online platforms and certain distributors in the PRC. Loss allowances of HK$16,196,000 (2020: HK$12,580,000) have been provided for such trade receivables as at 31 December 2021.

The Group has concentration of credit risk on top two trade debtors, which are large online e-commerce customers with good credit history, accounted for approximately 31% (2020: 32%) of its total trade debts balance as at 31 December 2021.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

— Trade receivables

— Other financial assets at amortised costs

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is insignificant.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

Measurement of expected credit loss on individual basis

Trade receivables with higher risk of default are assessed individually for provision for impairment allowance. Their expected credit loss rates are determined based on their corresponding external default data, repayment and default histories and on-going business relationship with them. The loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2021, the balance of such individually assessed trade receivables and the loss allowance in respect of these receivables are as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Individually assessed trade receivables	**405,616**	265,392
Loss allowance	**12,046**	4,472

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a specific period before each year end date and the corresponding historical credit losses experienced within the periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the overall industry outlook and Gross Domestic Product ("**GDP**") of the PRC in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The loss allowance as at 31 December 2021 was determined as follows for the remaining trade receivables:

	Key account clients HK$'000	Offline distributors HK$'000	Online sales channels HK$'000
As at 31 December 2021			
Gross carrying amount	**733,691**	**122,604**	**896,379**
Loss allowance	**(8,124)**	**(3,375)**	**(643)**
	725,567	**119,229**	**895,736**
Expected loss rate	**1.11%**	**2.75%**	**0.07%**
As at 31 December 2020			
Gross carrying amount	671,691	140,720	891,175
Loss allowance	(5,439)	(2,658)	(11)
	666,252	138,062	891,164
Expected loss rate	0.81%	1.89%	<0.01%

Impairment losses on trade receivables are separately presented as "Provision for impairment losses of financial assets" in the consolidated statement of comprehensive income. Trade receivables are written off when there is no reasonable expectation of recovery. The Group normally categorises a trade receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include bills receivables, refundable deposits and other receivables (excluding prepayments), they are considered to be low credit risk primarily because historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term. No impairment losses were provided for during the reporting period.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group's primary cash requirements have been used on payments for additions and upgrades of property, plant and equipment, related raw material purchases, lease liabilities, bank borrowings and corresponding finance costs and operating expenses. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings and takes into account all available information on future business environment of the countries in which the Group, its customers and suppliers operate.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amount of committed credit facilities to meet its working capital requirements.

At the reporting date, the Group held cash and cash equivalents of approximately HK$9,233,656,000 (2020: HK$10,921,095,000) (Note 21) and trade and bills receivables of approximately HK$2,253,099,000 (2020: HK$2,014,298,000) (Note 19) that are expected to generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2021					
Trade and bills payables	661,633	—	—	—	661,633
Accruals and other payables	305,635	—	—	—	305,635
Amounts due to related companies	407	—	—	—	407
Borrowings	100,000	—	—	—	100,000
Lease liabilities	63,425	53,300	23,938	286	140,949
	1,131,100	53,300	23,938	286	1,208,624

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2020					
Trade and bills payables	548,044	—	—	—	548,044
Accruals and other payables	413,020	—	—	—	413,020
Amounts due to related companies	505	—	—	—	505
Dividend payable	2,300,000	—	—	—	2,300,000
Lease liabilities	32,413	21,667	7,188	639	61,907
	3,293,982	21,667	7,188	639	3,323,476

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or obtain funding through adequate amount of committed credit facilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings divided by total equity.

	2021 HK$'000	2020 HK$'000
Total debt	**100,000**	—
Total equity	**12,346,422**	11,679,421
Gearing ratio	**0.8%**	N/A

3 Financial risk management (continued)

3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, trade and bills receivables, deposits and other receivables, and the Group's financial liabilities, including trade and bills payables, accruals and other payables, lease liabilities, borrowings and amounts due to related companies, approximate their fair values.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of financial assets

The impairment for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used and the impact of changes to these assumptions are disclosed in Note 3.1(b).

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period. They carry out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items through their estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions.

4 Critical estimates and judgements (continued)

4.1 Critical accounting estimates (continued)

(c) Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets, respectively. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature. The management will increase the depreciation and amortisation where useful lives are less than previously estimated lives. Periodic review could result in a change in useful lives and therefore depreciation and amortisation expense in the future periods.

(d) Current and deferred income tax

The Group is subject to income taxes in the PRC and Hong Kong. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 Revenue and segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that make strategic decisions.

The CODM reviews the performance of the Group on a regular basis.

As substantial business operations of the Group relate to the manufacturing, selling and distribution of cleaning products, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide consolidated financial information. Accordingly, there is only one single operating segment for the Group qualified as reportable segment under HKFRS 8. No separate segmental analysis is presented in the consolidated financial statements.

5 Revenue and segment information (continued)

(a) Revenue from external customers

Revenue from the sales of finished goods recognised is as follows:

	2021 HK$'000	2020 HK$'000
Revenue recognised at a point in time:		
Fabric care products	**6,456,510**	5,595,885
Personal hygiene products	**601,814**	835,738
Home care products	**539,157**	564,725
	7,597,481	6,996,348

Revenue from external parties contributing 10% or more of the total revenue of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**1,132,861**	1,191,829
Customer B	**677,275**	927,910
Total	**1,810,136**	2,119,739

Except for customer A, no other customers individually contributed to more than 10% of the Group's total revenue for the year ended 31 December 2021 (2020: Except for customer A and B, no other customers individually contributed to more than 10% of the Group's total revenue for the year ended 31 December 2020).

All of the Group's revenue was generated from customers in the PRC for the year ended 31 December 2021 and 2020, accordingly, no revenue by geographical location is presented.

5 Revenue and segment information (continued)

(b) Non-current assets

An analysis of the Group's non-current assets excluding deferred income tax assets, by geographical locations, is as follows:

	2021 HK$'000	2020 HK$'000
Hong Kong	**13,063**	3,344
Mainland China	**2,269,797**	2,042,287
	2,282,860	2,045,631

(c) Liabilities related to contract with customers

The Group has recognised the following liabilities related to contract with customers:

	2021 HK$'000	2020 HK$'000
Contract liabilities related to sales of goods	**60,346**	30,779

Contract liabilities of the Group mainly represent the advanced payments received from customers by the Group while the underlying goods are yet to be delivered.

(d) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised for the year relates to carried-forward contract liabilities:

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liabilities balance related to sales of goods at the beginning of the year	**30,779**	16,188

There was no revenue recognised during the year (2020: Nil) from performance obligations satisfied in the previous respective year.

Amount of transaction price from unsatisfied performance obligation as at 31 December 2021 was equivalent to the contract liabilities as at each of the respective year end dates. Management expects 100% of the contract liabilities balance as at 31 December 2021 will be recognised as revenue in the next year (approximately HK$60,346,000). The balance mainly represents receipts in advance from offline distributors.

6 Other income and other gains, net

	2021 HK$'000	2020 HK$'000
Government grants (Note (a))	**10,851**	67,820
Net foreign exchange gains/(losses)	**64,495**	(1,403)
Scrap sales	**2,650**	4,442
Compensation income (Note (b))	**13,139**	—
Sundry income	**1,783**	1,257
	92,918	72,116

Notes:

(a) Various government grants have been received from the local government authorities for subsidising the operating activities, research and development activities, and acquisition of fixed assets. The government grants represent the amortisation of deferred government grant of HK$1,487,000 (2020: HK$1,401,000) and operating subsidies of approximately HK$9,364,000 (2020: HK$66,419,000) for the year ended 31 December 2021. Management does not consider that there were any significant unfulfilled conditions or other contingencies attached to these operating subsidies.

(b) Compensation income has been arisen from a trademark infringement lawsuit against an independent third party.

7 Expenses by nature

	2021 HK$'000	2020 HK$'000
Cost of raw materials consumed	**2,695,566**	2,256,348
Changes in inventories of finished goods and work in progress	**148,146**	(64,964)
Manufacturing overheads (excluding depreciation)	**16,012**	20,821
Employee benefits expense (Note 8)	**1,555,931**	1,292,838
Advertising expenses	**397,061**	407,314
Promotion expenses	**593,075**	368,803
Transportation expenses	**607,570**	512,331
Other tax expenses	**78,581**	68,901
Rental expenses related to short term leases	**12,460**	29,273
Depreciation of property, plant and equipment (Note 16)	**131,558**	126,349
Depreciation of right-of-use assets (Note 17)	**65,786**	29,603
Amortisation of intangible assets (Note 15)	**32,413**	25,534
Auditor's remuneration		
— Audit services	**4,300**	4,300
— Non-audit services	**1,100**	291
Travelling expenses	**30,255**	28,321
Motor expenses	**14,793**	11,876
Consumables	**7,199**	7,118
Office expenses	**3,266**	4,312
Recruitment fee	**5,560**	4,333
Utility expenses	**28,982**	26,986
Consulting fee	**25,658**	18,389
Maintenance expenses	**26,061**	19,361
Loss on disposals of plant and equipment, net	**127**	2,265
Listing expenses	**—**	59,451
Others	**47,491**	61,430
	6,528,951	5,321,584

8 Employee benefits expense

(a) Employee benefits expense (including directors' emoluments)

	2021 HK$'000	2020 HK$'000
Wages, salaries and allowances	**937,117**	800,872
Bonuses and commission	**327,150**	297,565
Contributions to social security plans	**211,068**	152,034
Other benefits	**49,618**	35,280
Share-based compensation expense	**30,978**	7,087
	1,555,931	1,292,838

All local employees of the subsidiaries in the PRC participate in mandatory employee social security plans pursuant to the regulations enacted in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the government authorities. Apart from welfare benefits provided by these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on a percentage of the monthly compensation of employees, subject to certain ceilings, and are paid to the respective tax authorities. Contributions to these plans are expensed as incurred.

The Group's Hong Kong subsidiaries' contributions to the Mandatory Provident Fund Scheme in Hong Kong are expensed as incurred. Both the employers and employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

Employee benefits expense has been charged to the consolidated statement of comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Cost of sales	**194,445**	157,560
Selling and distribution expenses	**708,021**	646,974
General and administrative expenses	**653,465**	488,304
	1,555,931	1,292,838

8 Employee benefits expense (continued)

(b) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group consist of 3 (2020: 3) directors respectively, the employee benefits expenses in relation to the remaining 2 (2020: 2) highest paid individuals are as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, allowances and other employee welfares	**6,366**	6,084
Discretionary bonuses	**14,004**	13,366
Employer's contribution to defined contribution plan	**215**	168
Share-based compensation expense	**1,110**	310
	21,695	19,928

The emoluments of the above individuals fell within the following bands for the year ended 31 December 2021:

	2021	2020
HK$6,000,001–HK$6,500,000	**—**	1
HK$7,000,001–HK$7,500,000	**1**	—
HK$13,500,001–HK$14,000,000	**—**	1
HK$14,500,001–HK$15,000,000	**1**	—

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during year (2020: Nil).

9 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)(b)

The emoluments of individual directors and chief executive of the Company for the year are set out as below:

For the year ended	Fee HK$'000	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Share-based compensation expense HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
31 December 2021						
Executive directors and the chief executive						
Ms. Pan Dong	600	–	–	–	18	618
Mr. Luo Qiuping (Note)	500	8,138	–	–	18	8,656
Ms. Luo Dong	500	8,102	6,028	2,118	149	16,897
Mr. Poon Kwok Leung	500	2,190	900	441	18	4,049
Ms. Xiao Haishan	550	2,040	241	341	103	3,275
Non-executive director						
Mr. Cao Wei	550	–	–	–	–	550
Independent non-executive directors						
Mr. Bruno Robert MERCIER	650	–	–	–	–	650
Ms. Ngan Edith Manling	650	–	–	–	–	650
Mr. Hu Yebi	600	–	–	–	–	600
	5,100	20,470	7,169	2,900	306	35,945

9 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)(b) (continued)

For the year ended	Fee HK$'000	Basic salaries and allowances HK$'000	Discretionary bonuses HK$'000	Share-based compensation expense HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
31 December 2020						
Executive directors and the chief executive						
Ms. Pan Dong	600	720	—	—	18	1,338
Mr. Luo Qiuping (Note)	512	6,637	7,363	—	18	14,530
Ms. Luo Dong	512	7,743	4,724	591	54	13,624
Mr. Poon Kwok Leung	289	1,540	4,680	123	18	6,650
Ms. Xiao Haishan	296	1,816	—	123	83	2,318
Non-executive director						
Mr. Cao Wei	275	—	—	—	—	275
Independent non-executive directors						
Mr. Bruno Robert MERCIER	54	—	—	—	—	54
Ms. Ngan Edith Manling	54	—	—	—	—	54
Mr. Hu Yebi	50	—	—	—	—	50
	2,642	18,456	16,767	837	191	38,893

Note:

Mr. Luo Qiuping, a director of the Company, is also the chief executive of the Company.

No emoluments were paid by the Group to any of the directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)(b) (continued)

No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable as at 31 December 2021 (2020: Nil). No consideration was provided to or received by third parties for making available directors' services during the year (2020: Nil).

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year (2020: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

10 Finance income, net

	2021 HK$'000	2020 HK$'000
Finance income		
— Interest income on bank deposits	**141,910**	10,816
Finance costs		
— Interest expenses on bank borrowings	**(15,989)**	(9,001)
— Interest expenses on lease liabilities	**(4,750)**	(2,902)
	(20,739)	(11,903)
— Amount capitalised (Note 16)	**—**	4,645
	(20,739)	(7,258)
Finance income, net	**121,171**	3,558

11 Income tax expense

The amount of income tax charged to the consolidated profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Current income tax		
— PRC corporate income tax	**242,093**	383,056
Deferred income tax expense (Note 26)	**14,503**	57,180
Income tax expense	**256,596**	440,236

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries have no assessable profit arising in or deriving from Hong Kong during the year ended 31 December 2021 (2020: Nil).

11 Income tax expense (continued)

(b) PRC corporate income tax ("CIT")

Current income tax expense primarily represents the provision for CIT for subsidiaries operating in the PRC. These subsidiaries are subject to CIT on their taxable income as reported in their respective statutory financial statements in accordance with the relevant tax laws and regulations in the PRC.

Blue Moon (Chongqing) Co., Ltd. has been qualified as a Western Region Encouragement Industrial Enterprise and has enjoyed a preferential income tax rate of 15% since 2017 until 2030.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group for the year is as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**1,271,011**	1,749,647
Expected tax calculated at the weighted average applicable tax rate	**297,504**	437,412
Expenses not deductible for tax purposes	**2,069**	3,006
Income not subject to tax	**(33,238)**	—
Effect of super-deduction for research and development expenses	**(7,185)**	(6,104)
Losses for which no deferred tax assets were recognised	**—**	1,289
Utilisation of previously unrecognised tax losses	**—**	(2,468)
Withholding tax on unremitted earnings	**11,176**	20,064
Over-provision	**(13,730)**	(12,963)
Income tax expense	**256,596**	440,236

Note:

The weighted average applicable tax rate was 20% (2020: 25%) for the year ended 31 December 2021. The decrease was mainly caused by change in the profitability of the Group's subsidiaries which are applicable to different tax rates.

12 Dividends

In January and June 2020, the Company declared a dividend of HK$36,664,000 and an interim dividend of HK$2,300,000,000 respectively to the then immediate sole shareholder of the Company. The rates for dividends and the number of shares ranking for dividends were not presented as such information was not considered meaningful for the purpose of this report.

On 29 March 2021, a final dividend amounted to HK$404,284,000 (Note 34) in respect of the year ended 31 December 2020 of HK6.9 cents per share was proposed by the Board and was approved by the shareholders of the Company in the annual general meeting held on 25 June 2021.

A dividend in respect of the year ended 31 December 2021 of HK13.8 cents per share was proposed by the Board on 29 March 2022 and to be approved by the shareholders in the forthcoming annual general meeting.

This proposed final dividend, amounting to HK$808,621,350, has not been recognised as a liability in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2022.

13 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK$1,014,415,000 (2020: HK$1,309,411,000) by the weighted average number of ordinary shares in issue, less shares held under the 2021 Share Award Plan during the year, of approximately 5,800,998,000 shares (2020: 5,030,620,000 shares).

	2021	2020
Profit attributable to equity holders of the Company used in calculating basic and diluted earnings per share (HK$'000)	**1,014,415**	1,309,411
Weighted average number of ordinary shares in issue less shares held under the 2021 Share Award Plan during the year ('000)	**5,800,998**	5,030,620
Basic earnings per share (HK cent per share)	**17.49**	26.03

13 Earnings per share (continued)

Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

— the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

— the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares: share options and shares held under the 2021 Share Award Plan during the year.

A reconciliation of the weighted average number of ordinary shares used in calculating the basic and diluted earnings per share is as follows:

	2021 **'000**	2020 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	**5,800,998**	5,030,620
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	**32,586**	12,279
Adjustment for 2021 Share Award Plan	**545**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**5,834,129**	5,042,899

	2021 **HK cent**	2020 HK cent
Diluted earnings per share attributable to the ordinary equity holders of the Company	**17.39**	25.97

14 Subsidiaries

The following is a full list of subsidiaries held by the Company as at 31 December 2021:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of issued share capital	Ownership interest held by the Group 2021	2020
Directly held:					
Blue Moon (BVI) Limited	British Virgin Islands, limited liability company	Investment holding, Hong Kong	HK$10,000	**100%**	100%
Indirectly held:					
Blue Moon Group Limited (藍月亮國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK$427,488,000	**100%**	100%
Guangzhou Blue Moon Industrial Co., Ltd.#* (廣州藍月亮實業有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$36,000,000	**100%**	100%
Blue Moon (Tianjin) Co., Ltd.#* (藍月亮(天津)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$70,000,000	**100%**	100%
Blue Moon (China) Co., Ltd.#* (藍月亮(中國)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$120,000,000	**100%**	100%

14 Subsidiaries (continued)

The following is a full list of subsidiaries held by the Company as at 31 December 2021: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of issued share capital	Ownership interest held by the Group 2021	2020
Indirectly held: (continued)					
Blue Moon (Kunshan) Co., Ltd.#* (藍月亮(昆山)實業有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$80,000,000	**100%**	100%
Villa La Luna Group Ltd. (月亮小屋國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK$10,000	**100%**	100%
Xingshuo (Guangzhou) Industrial Co., Ltd.#* (星朔(廣州)實業有限公司)	The PRC, limited liability company	Biotechnology development services and production, the PRC	US$1,250,000	**100%**	100%
Blue Moon (Chongqing) Co., Ltd.#* (藍月亮(重慶)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$100,000,000	**100%**	100%
Blue Moon (Guangzhou) Co., Ltd#* (藍月亮(廣州)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US$84,000,000	**100%**	100%
Villa La Luna (China) Co., Ltd.#* (月亮小屋(中國)有限公司)	The PRC, limited liability company	Laundry services, the PRC	US$100,000,000	**100%**	100%

14 Subsidiaries (continued)

The following is a full list of subsidiaries held by the Company as at 31 December 2021: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of issued share capital	Ownership interest held by the Group	
				2021	2020
Indirectly held: (continued)					
Blue Moon (Guangzhou) Washing Technology Co., Ltd.* (藍月亮(廣州)洗滌科技有限公司)	The PRC, limited liability company	Laundry technology and service, the PRC	RMB10,000,000	**100%**	100%
Moon House (Shenzhen) Data Technology Co., Ltd.#* (月亮小屋(深圳)數據技術有限公司)	The PRC, limited liability company	Data technology and service, the PRC	HK$10,000,000	**100%**	100%
Moon House (Nantong) Washing Co., Ltd.* (月亮小屋(南通)洗滌有限公司)	The PRC, limited liability company	Washing services, the PRC	RMB3,000,000	**100%**	100%
Chengdu Moon House Washing Co., Ltd.* (成都月亮小屋洗滌有限公司)	The PRC, limited liability company	Washing services, the PRC	RMB12,000,000	**100%**	100%
Moon House (Guangzhou) Cleaning Service Co., Ltd.* (Formerly known as Guangzhou Moon House Washing Co. Ltd.) (月亮小屋(廣州)清潔服務有限公司(前稱廣州月亮小屋洗滌有限公司))	The PRC, limited liability company	Washing services, the PRC	Nil	**100%**	100%
Moon House Digital Technology Co., Ltd. (月亮小屋科技有限公司)	The PRC, limited liability company	Data technology and service, the PRC	RMB10,000,000	**100%**	100%

Registered as wholly foreign owned enterprises under PRC law

* English translation is for identification purpose only

15 Intangible assets

	Trademarks and patents HK$'000	Computer software and development cost HK$'000	Computer system under development HK$'000	Total HK$'000
As at 1 January 2020				
Cost	42,296	176,098	61,362	279,756
Accumulated amortisation	(41,023)	(91,790)	—	(132,813)
Net book amount	1,273	84,308	61,362	146,943
Year ended 31 December 2020				
Opening net book amount	1,273	84,308	61,362	146,943
Additions	248	36,533	33,549	70,330
Transfer	—	34,584	(34,584)	—
Amortisation	(217)	(25,317)	—	(25,534)
Exchange differences	91	1,588	3,833	5,512
Closing net book amount	1,395	131,696	64,160	197,251
As at 31 December 2020 and 1 January 2021				
Cost	45,280	257,851	64,160	367,291
Accumulated amortisation	(43,885)	(126,155)	—	(170,040)
Net book amount	1,395	131,696	64,160	197,251
Year ended 31 December 2021				
Opening net book amount	**1,395**	**131,696**	**64,160**	**197,251**
Additions	**—**	**11,500**	**13,610**	**25,110**
Write-off	**—**	**(9,894)**	**—**	**(9,894)**
Amortisation	**(224)**	**(32,189)**	**—**	**(32,413)**
Exchange differences	**131**	**4,709**	**1,971**	**6,811**
Closing net book amount	**1,302**	**105,822**	**79,741**	**186,865**
As at 31 December 2021				
Cost	**46,707**	**270,868**	**79,741**	**397,316**
Accumulated amortisation	**(45,405)**	**(165,046)**	**—**	**(210,451)**
Net book amount	**1,302**	**105,822**	**79,741**	**186,865**

15 Intangible assets (continued)

The Group's computer system under development as at 31 December 2021 represented operating systems and software developed for the Group's internal use to support the Group's daily operations. Such intangible assets, upon completion, cannot generate cash inflows independently, and are considered as "Corporate assets" in accordance with "HKAS 36 — Impairment assets". Accordingly, in the impairment testing of such intangible assets not yet available for use, the related carrying amounts are allocated to the related cash generating unit (i.e. the Group's financial performance as a whole) and has been assessed annually on a consistent basis as at 31 December 2021.

No impairment loss for the computer system under development is considered necessary for the year ended 31 December 2021 (2020: Nil) in view of favourable financial performance of the Group.

During the year ended 31 December 2021, the Group wrote off computer software and development cost totaling HK$9,894,000, which represented retired computer software supporting mobile applications.

All amortisation charges of intangible assets were included in general and administrative expenses (2020: Same).

16 Property, plant and equipment

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction -in-progress HK$'000	Total HK$'000
As at 1 January 2021							
Cost	1,050,651	11,244	682,861	179,514	28,904	76,668	2,029,842
Accumulated depreciation	(130,887)	(11,244)	(378,153)	(109,256)	(17,828)	—	(647,368)
Net book amount	919,764	—	304,708	70,258	11,076	76,668	1,382,474
Year ended 31 December 2021							
Opening net book amount	919,764	—	304,708	70,258	11,076	76,668	1,382,474
Additions	—	366	42,990	26,495	3,684	211,157	284,692
Disposals	(217)	—	(39,332)	(3,583)	(738)	—	(43,870)
Transfer	53,746	—	65,189	16,481	—	(135,416)	—
Depreciation	(34,545)	(59)	(70,303)	(23,766)	(2,885)	—	(131,558)
Exchange differences	27,416	30	8,887	2,277	345	3,442	42,397
Closing net book amount	966,164	337	312,139	88,162	11,482	155,851	1,534,135
As at 31 December 2021							
Cost	1,135,917	11,972	750,925	215,511	28,515	155,851	2,298,691
Accumulated depreciation	(169,753)	(11,635)	(438,786)	(127,349)	(17,033)	—	(764,556)
Net book amount	966,164	337	312,139	88,162	11,482	155,851	1,534,135

16 Property, plant and equipment (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction -in-progress HK$'000	Total HK$'000
As at 1 January 2020							
Cost	798,510	11,244	591,560	140,839	28,338	161,173	1,731,664
Accumulated depreciation	(95,102)	(11,244)	(312,691)	(86,630)	(14,906)	—	(520,573)
Net book amount	703,408	—	278,869	54,209	13,432	161,173	1,211,091
Year ended 31 December 2020							
Opening net book amount	703,408	—	278,869	54,209	13,432	161,173	1,211,091
Additions	28,291	—	23,812	19,511	—	197,482	269,096
Disposals	(25,830)	—	(21,152)	(1,394)	—	—	(48,376)
Transfer	194,727	—	78,096	16,639	—	(289,462)	—
Depreciation	(30,925)	—	(69,976)	(22,595)	(2,853)	—	(126,349)
Exchange differences	50,093	—	15,059	3,888	497	7,475	77,012
Closing net book amount	919,764	—	304,708	70,258	11,076	76,668	1,382,474
As at 31 December 2020							
Cost	1,050,651	11,244	682,861	179,514	28,904	76,668	2,029,842
Accumulated depreciation	(130,887)	(11,244)	(378,153)	(109,256)	(17,828)	—	(647,368)
Net book amount	919,764	—	304,708	70,258	11,076	76,668	1,382,474

16 Property, plant and equipment (continued)

Note:

During the year ended 31 December 2021, the Group did not capitalise any borrowing costs. During the year ended 31 December 2020, the Group capitalised borrowing costs amounting to HK$4,645,000 on qualifying assets . Borrowing costs for the year ended 31 December 2020 were capitalised at the weighted average rate of its general borrowings of 2.9%.

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	2021 **HK$'000**	2020 HK$'000
Cost of sales	**69,326**	65,325
Selling and distribution expenses	**1,749**	1,982
General and administrative expenses	**60,483**	59,042
	131,558	126,349

17 Leases

(a) Right-of-use assets

	2021 HK$'000	2020 HK$'000
Land use rights (Note i)	**361,210**	359,940
Lease properties (Note ii)	**134,368**	56,520
	495,578	416,460

Notes:

(i) Land use rights represent the prepaid operating lease payments of the Group's interests in land use rights located in the PRC, which are held on leases within 50 years. As at 31 December 2021, land use rights with a total carrying amount of approximately HK$63,730,000 (2020: HK$229,075,000) were pledged to banks to secure certain bank facilities (Note 29).

(ii) Leased properties of the Group represent mainly offices and training venues for sales personnel. The Group obtains right to control the use of these offices and training venues for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 6 years.

The Group's lease expenses (Note 7) are primarily for short-term leases.

(iii) Depreciation expenses from right-of-use assets have been charged to the consolidated statement of comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Selling and distribution expenses	**20,459**	14,454
General and administrative expenses	**45,327**	15,149
	65,786	29,603

17 Leases (continued)

(b) Lease liabilities

	2021 HK$'000	2020 HK$'000
Current portion	**61,291**	32,135
Non-current portion	**75,087**	25,609
	136,378	57,744

The total cash outflows for leases for the year were HK$61,186,000 (2020: HK$13,050,000).

The maturity analysis of lease liabilities is disclosed in Note 3.1(c).

(c) Short-term leases

As at 31 December 2021, the total future lease payments for short-term leases amounted to approximately HK$3,238,000 (2020: HK$2,632,000) (Note 33(b)).

18 Inventories

	2021 HK$'000	2020 HK$'000
Raw materials	**175,588**	152,348
Work in progress	**714**	443
Finished goods	**209,666**	316,998
	385,968	469,789

The cost of inventories recognised as cost of sales amounted to approximately HK$2,843,712,000 (2020: HK$2,191,384,000) for the year.

19 Trade and bills receivables

	2021 HK$'000	2020 HK$'000
Trade receivables	**2,158,290**	1,968,978
Bills receivables	**118,997**	57,900
Trade and bills receivables	**2,277,287**	2,026,878
Less: Loss allowance	**(24,188)**	(12,580)
Trade and bills receivables, net	**2,253,099**	2,014,298

As at 31 December 2021, the carrying amounts of the Group's trade and bills receivables were denominated in RMB and approximated their fair values.

Bills receivables are with average maturity dates of less than six months (2020: three months).

The Group seeks to maintain strict control over its outstanding receivables and has imposed tightened control to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

The Group generally allows a credit period of up to 60 days to its key account clients and major online e-commerce customers, as well as certain offline distributors with good credit history on a discretionary basis. The aging analysis of trade and bills receivables as at the year end date, based on invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
0–30 days	**1,236,370**	1,064,708
31–60 days	**396,681**	434,812
61–180 days	**470,942**	373,777
Over 180 days	**173,294**	153,581
	2,277,287	2,026,878

19 Trade and bills receivables (continued)

During the year ended 31 December 2021, sales to offline distributors are generally covered by advances received from customers or letters of credit with bills payable at sight.

The Group has concentration of credit risk on two trade debtors, which are large online e-commerce customers with good credit history, accounted for approximately 31% (2020: 32%) of its total trade debts balance as at 31 December 2021 (Note 5).

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables. Information about the Group's exposure to credit risk and the impairment of trade receivables can be found in Note 3.1(b).

The movement of provision for impairment of trade and bills receivables is as follows:

	2021 **HK$'000**	2020 HK$'000
As at 1 January	**12,580**	11,789
Provision for impairment charged to consolidated statement of comprehensive income	**11,608**	791
As at 31 December	**24,188**	12,580

The creation of provision for impairment of trade and bills receivables has been included in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

20 Prepayments, deposits and other receivables

	2021 HK$'000	2020 HK$'000
Non-current		
Prepayments for acquisition of property, plant and equipment	**66,282**	49,446
Current		
Prepayments for advertising and promotion expenses	**222,919**	130,884
Prepayments for raw materials and transportation	**5,484**	4,211
Other deposits and prepayments	**54,609**	37,566
VAT recoverable	**4,060**	446
Advances to staff	**1,309**	5,158
Receivables from payment intermediaries (Note)	**12,313**	119,166
Others	**12,492**	21,658
	313,186	319,089

Note:

Receivables from payment intermediaries represent the sales received by Alipay and WeChat pay on behalf of the Group for online platform sales.

The Group applies the HKFRS 9 general approach to measuring expected credit losses which uses a twelve-month expected loss allowance for all deposits and other receivables. Information about the Group's exposure to credit risk and the impairment of deposits and other receivables can be found in Note 3.1(b).

As at 31 December 2021, the carrying amounts of prepayments, deposits and other receivables were mainly denominated in RMB and approximated their fair values.

21 Cash and cash equivalents and restricted cash

	2021 HK$'000	2020 HK$'000
Cash at banks	9,233,639	10,921,073
Cash on hand	17	22
Cash and cash equivalents	9,233,656	10,921,095
Restricted cash (Note)	—	17,822
	9,233,656	10,938,917
Maximum exposure to credit risk	9,233,639	10,938,895

Note:

As at 31 December 2020, the Group's restricted cash was denominated in RMB and placed in the bank to secure a bank facility. During the year, the bank waived the relevant contractual term and the whole balance was released accordingly.

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have history of default.

RMB is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	429,806	9,678,431
RMB	8,785,945	1,240,265
USD	17,582	20,018
Others	323	203
	9,233,656	10,938,917

22 Share capital

	Number of shares	Share Capital HK$'000
Authorised ordinary shares of HK$0.01 each:		
At 1 January 2020	38,000,000	380
Increase in authorised share capital	9,962,000,000	99,620
At 31 December 2020, 1 January 2021 and 31 December 2021	**10,000,000,000**	**100,000**
Ordinary shares of HK$0.01 each, issued and fully paid:		
At 1 January 2020	**10,000**	**—**
Issuance of ordinary shares upon		
— capitalisation issue (Note (a))	**4,999,990,000**	**50,000**
— initial public offering (Note (a))	**747,126,500**	**7,471**
At 31 December 2020 and 1 January 2021	**5,747,126,500**	**57,471**
Issuance of ordinary shares upon		
— over-allotment (Note (b))	**112,068,500**	**1,120**
— exercise of share options (Note 23(a))	**380,000**	**4**
At 31 December 2021	**5,859,575,000**	**58,595**

Notes:

(a) Pursuant to shareholders' resolutions passed on 23 November 2020, the Company allotted and issued a total of 4,999,990,000 shares by way of capitalisation of the sum of HK$49,999,900 standing to the credit of the share premium account of the Company before the listing. On 16 December 2020, 747,126,500 ordinary shares of HK$0.01 each were issued at an offer price of HK$13.16 per share upon the listing of the Company's shares on the Stock Exchange. Gross proceeds from the issuance of these shares amounted to approximately HK$9,832,184,000 with approximately HK$7,471,000 and HK$9,610,280,000 being credited to the share capital and share premium account of the Company respectively, after net off with the listing expenses of approximately HK$214,433,000.

(b) On 11 January 2021, 112,068,500 ordinary shares of HK$0.01 each were allotted and issued by the Company pursuant to the full exercise of the over-allotment option. Gross proceeds from the issuance of these shares in January 2021 amounted to approximately HK$1,474,821,000 with approximately HK$1,120,000 and HK$1,444,196,000 being credited to the share capital and share premium account of the Company respectively, after net off with the commissions and other offering expenses payable by the Company in relation to the exercise of the over-allotment option of approximately HK$29,505,000.

23 Share option scheme and share award plan

(a) Share option scheme

The Company adopted the Pre-Initial Public Offering Share Option Scheme ("**Pre-IPO Share Option Scheme**") on 23 September 2020 for the purpose of encouraging certain key employees to contribute to the Group for long-term benefits of the Company and the shareholders as a whole and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to its key employees.

The Board may determine any directors, employees of any member of the Group or business associates, who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group, to take up options to subscribe for shares of the Company.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted under the Pre-IPO Share Option Scheme shall not exceed the lower of (i) 100,000,000 Shares, and (ii) 1.5% of the issued share capital of the Company immediately following completion of the initial public offering and the capitalisation issue.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (including the satisfaction of certain performance targets and/or the attainment or performance of milestones by any member of the Group, the grantee or any group of participants) as determined by our Board at its sole and absolute discretion.

The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme shall be HK$3.76, excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option, save to the extent that other arrangements have been made for the payment of the exercise price which are satisfactory to the Board.

The Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the adoption date thereof and expiring on the day immediately after the date which is ten years after the listing date of the Company, after which period the provisions of the Pre-IPO Share Option Scheme shall in all respects cease to be in any force or effect.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

23 Share option scheme and share award plan (continued)

(a) Share option scheme (continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

2021

		Vesting period		Number of share options						
	Date of grant	from	to	At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2021	Exercise period	Exercise price per share HK$
Directors										
Ms. Luo Dong	23/09/2020	16/12/2020	15/12/2021	1,200,000	–	–	–	1,200,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	1,200,000	–	–	–	1,200,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	1,200,000	–	–	–	1,200,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	1,200,000	–	–	–	1,200,000	10 years from the date of grant	3.76
Mr. Poon Kwok Leung	23/09/2020	16/12/2020	15/12/2021	250,000	–	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	250,000	–	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	250,000	–	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	250,000	–	–	–	250,000	10 years from the date of grant	3.76
Ms. Xiao Haishan	23/09/2020	16/12/2020	15/12/2021	250,000	–	–	(100,000)	150,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	250,000	–	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	250,000	–	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	250,000	–	–	–	250,000	10 years from the date of grant	3.76

23 Share option scheme and share award plan (continued)

(a) Share option scheme (continued)

	Date of grant	Vesting period from	to	At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2021	Exercise period	Exercise price per share HK$
Other grantees including existing employees and Business Associates of our Group										
In aggregate	23/09/2020	16/12/2020	15/12/2021	13,654,250	–	(380,000)	(996,200)	12,278,050	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	13,693,250	–	–	(659,000)	13,034,250	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	13,732,250	–	–	(665,000)	13,067,250	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	13,771,250	–	–	(671,000)	13,100,250	10 years from the date of grant	3.76
				61,651,000	–	(380,000)	(3,091,200)	58,179,800		

23 Share option scheme and share award plan (continued)

(a) Share option scheme (continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

2020

				Number of share options						
	Date of grant	Vesting period from	to	At 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2020	Exercise period	Exercise price per share HK$
Directors										
Ms. Luo Dong	23/09/2020	16/12/2020	15/12/2021	–	1,200,000	–	–	1,200,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	–	1,200,000	–	–	1,200,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	–	1,200,000	–	–	1,200,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	–	1,200,000	–	–	1,200,000	10 years from the date of grant	3.76
Mr. Poon Kwok Leung	23/09/2020	16/12/2020	15/12/2021	–	250,000	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	–	250,000	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	–	250,000	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	–	250,000	–	–	250,000	10 years from the date of grant	3.76
Ms. Xiao Haishan	23/09/2020	16/12/2020	15/12/2021	–	250,000	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	–	250,000	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	–	250,000	–	–	250,000	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	–	250,000	–	–	250,000	10 years from the date of grant	3.76

23 Share option scheme and share award plan (continued)

(a) Share option scheme (continued)

	Date of grant	Vesting period from	to	At 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2020	Exercise period	Exercise price per share HK$
Other grantees including existing employees and Business Associates of our Group										
In aggregate	23/09/2020	16/12/2020	15/12/2021	–	13,654,250	–	–	13,654,250	10 years from the date of grant	3.76
		16/12/2020	15/12/2022	–	13,693,250	–	–	13,693,250	10 years from the date of grant	3.76
		16/12/2020	15/12/2023	–	13,732,250	–	–	13,732,250	10 years from the date of grant	3.76
		16/12/2020	15/12/2024	–	13,771,250	–	–	13,771,250	10 years from the date of grant	3.76
				–	61,651,000	–	–	61,651,000		

During the year ended 31 December 2021, 3,091,200 (2020: nil) of the share options were lapsed and share-based compensation expense amounted to HK$23,151,000 (2020:HK$7,087,000) were recognised as general and administrative expenses in the consolidated statement of comprehensive income (Note 8(a)).

23 Share option scheme and share award plan (continued)

(a) Share option scheme (continued)

Movements of outstanding share options under the Pre-IPO Share Option Scheme during the year are as follows:

	2021		
	Weighted average exercise price HK$ per share	Remaining contractual life Year	Number of options
At the beginning of year	3.76	9.84	61,651,000
Granted during the year	—	—	—
Exercised during the year	3.76	—	(380,000)
Lapsed during the year	3.76	—	(3,091,200)
At the end of year	3.76	8.84	58,179,800

The related weighted average share price at the time of exercise of the options during the year was HK$7.55 (2020: nil) per share.

As at 31 December 2021, the Company had 13,878,050 exercisable share options outstanding under the Pre-IPO Share Option Scheme. Should they be fully exercised, the Company will receive approximately HK$52,181,000 (before issue expenses). The exercise in full of these exercisable share options would, under the present capital structure of the Company, result in the issue of 13,878,050 additional ordinary shares of the Company and additional share capital of approximately HK$139,000 and share premium of approximately HK$52,043,000 (before issue expenses). As at 31 December 2020, the Company did not have any exercisable share options outstanding under the Pre-IPO Share Option Scheme.

Subsequent to 31 December 2021 and at the date of approval of these consolidated financial statements, the Company had 57,064,300 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.0% of the Company's shares in issue as at that date.

23 Share option scheme and share award plan (continued)

(b) Share award plan

On 3 June 2021, the Share Award Plan was approved and adopted by the Board. Unless otherwise cancelled or amended, the Share Award Plan will remain valid and effective for 10 years from the date of adoption, subject to early termination as determined by the Board.

During the year, the Group had acquired certain of its own shares through the trustee of the Share Award Plan from open market. The cost of acquiring the shares amounted to approximately HK$1,650,681,000 and had been deducted from other reserves as at 31 December 2021. The shares purchased by the Group that are not yet vested for the Share Award Plan were recorded as treasury shares of the Group.

During the year ended 31 December 2021, 8,058,000 performance shares (Note (c)) were awarded to selected participants pursuant to the Plan and 1,415,000 of the awarded shares were lapsed. Share-based compensation expense amounted to HK$7,827,000 were recognised as general and administrative expenses in the consolidated statement of comprehensive income (Note 8(a)).

23 Share option scheme and share award plan (continued)

(b) Share award plan (continued)

Details of the performance shares awarded under the Plan during the year ended 31 December 2021 are as follows:

Date of grant	Fair value per share HK$ (Note a)	Number of awarded shares At 1 January 2021	Granted during the year	Vested during the year	Lapsed during the year	At 31 December 2021	Vesting period (Note b)
17/09/2021	6.65	–	2,349,333	–	(175,000)	2,174,333	17/09/2021 – 16/09/2022
17/09/2021	6.65	–	2,349,333	–	(175,000)	2,174,333	17/09/2021 – 16/09/2023
17/09/2021	6.65	–	2,349,334	–	(175,000)	2,174,334	17/09/2021 – 16/09/2024
26/09/2021	6.60	–	336,667	–	(296,667)	40,000	17/09/2021 – 16/09/2022
26/09/2021	6.60	–	336,667	–	(296,667)	40,000	17/09/2021 – 16/09/2023
26/09/2021	6.60	–	336,666	–	(296,666)	40,000	17/09/2021 – 16/09/2024
		–	8,058,000	–	(1,415,000)	6,643,000	

Notes:

(a) The fair value of the awarded shares was based on the closing price per share at the date of grant.

(b) The awarded performance shares are subject to a vesting scale in tranches of 33% of the awarded shares respectively on the first and second anniversary dates of the grant date and the balance of the remaining awarded shares on the third anniversary date of the grant date.

(c) Vesting of the awarded performance shares is conditional upon the result of comprehensive performance appraisal of the selected participants for the year when the corresponding vesting period is matured.

24 Other reserves

	Share premium HK$'000	Statutory surplus reserves HK$'000	Shares held for share award plan HK$'000	Share-based payment reserve HK$'000	Exchange translation reserve HK$'000	Total HK$'000
As at 1 January 2020	—	208,211	—	—	(149,358)	58,853
Issuance of ordinary shares upon:						
— capitalisation issue (Note 22)	(50,000)	—	—	—	—	(50,000)
— initial public offerings (Note 22)	9,824,713	—	—	—	—	9,824,713
Listing expenses charged	(214,433)	—	—	—	—	(214,433)
Share-based compensation expense (Note 23)	—	—	—	7,087	—	7,087
Appropriation	—	75,752	—	—	—	75,752
Exchange differences	—	—	—	—	218,757	218,757
As at 31 December 2020	9,560,280	283,963	—	7,087	69,399	9,920,729
As at 1 January 2021	**9,560,280**	**283,963**	**—**	**7,087**	**69,399**	**9,920,729**
Issuance of ordinary shares upon:						
— over-allotment (Note 22)	**1,473,702**	**—**	**—**	**—**	**—**	**1,473,702**
— exercise of share options (Note 23(a))	**1,424**	**—**	**—**	**—**	**—**	**1,424**
Listing expenses charged	**(29,505)**	**—**	**—**	**—**	**—**	**(29,505)**
Share-based compensation expense (Note 23)	**—**	**—**	**—**	**30,978**	**—**	**30,978**
Release of share-based payment reserve to share premium upon exercise of share options	**339**	**—**	**—**	**(339)**	**—**	**—**

24 Other reserves (continued)

	Share premium HK$'000	Statutory surplus reserves HK$'000	Shares held for share award plan HK$'000	Share-based payment reserve HK$'000	Exchange translation reserve HK$'000	Total HK$'000
Purchase of shares held for Share Award Plan	–	–	(1,650,681)	–	–	(1,650,681)
Vesting of awarded shares	(852)	–	8,679	(7,827)	–	–
Appropriation	–	97,539	–	–	–	97,539
Exchange translation of foreign operations	–	–	–	–	229,828	229,828
As at 31 December 2021	**11,005,388**	**381,502**	**(1,642,002)**	**29,899**	**299,227**	**10,074,014**

Statutory reserves represent the statutory surplus reserves and statutory public welfare fund. The subsidiaries in the PRC appropriate 10% of the net profits as reported in their statutory financial statements (after offsetting any prior year's losses) to the statutory surplus reserves until the reserves have reached 50% of their registered capital. Statutory surplus reserves are non-distributable to shareholders. The use of these reserves is to offset accumulated losses or to increase capital as determined by the Board of Directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

25 Deferred government grant

	2021 HK$'000	2020 HK$'000
As at 1 January	**64,377**	61,843
Amortisation (Note 6)	**(1,487)**	(1,401)
Exchange differences	**1,894**	3,935
As at 31 December	**64,784**	64,377

Deferred government grant represents grants obtained from the PRC government in relation to the acquisition of land use rights by the Group. These grants are held as deferred income and recognised as other income in the consolidated statement of comprehensive income on a systematic basis to match with the land use rights' respective useful lives.

26 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority.

The balances shown in the consolidated balance sheet, after appropriate offsetting, are as follows:

	2021 HK$'000	2020 HK$'000
Deferred income tax assets	**42,967**	7,908
Deferred income tax liabilities	**(121,555)**	(78,456)
Net deferred income tax liabilities	**(78,588)**	(70,548)

26 Deferred income tax (continued)

The movements in the net deferred income tax liabilities are as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	**(70,548)**	(22,158)
Charged to the consolidated statement of comprehensive income (Note 11)	**(14,503)**	(57,180)
Withholding tax paid	**9,520**	13,737
Exchange differences	**(3,057)**	(4,947)
As at 31 December	**(78,588)**	(70,548)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Unremitted earnings of PRC entities HK$'000	Accelerated depreciation HK$'000	Total HK$'000
As at 1 January 2020	(91,216)	(26,685)	(117,901)
Charged to the consolidated statement of comprehensive income	(20,064)	(10,064)	(30,128)
Withholding tax paid	13,737	—	13,737
Exchange differences	(6,066)	(2,030)	(8,096)
As at 31 December 2020 and 1 January 2021	**(103,609)**	**(38,779)**	**(142,388)**
Charged to the consolidated statement of comprehensive income	**(11,176)**	**(27,751)**	**(38,927)**
Withholding tax paid	**9,520**	**—**	**9,520**
Exchange differences	**(3,070)**	**(1,531)**	**(4,601)**
As at 31 December 2021	**(108,335)**	**(68,061)**	**(176,396)**

26 Deferred income tax (continued)

Deferred income tax assets

	Accrued expenses and others HK$'000	Decelerated depreciation HK$'000	Unclaimed advertising expenses HK$'000	Unrealised profits HK$'000	Lease liabilities HK$'000	Tax losses HK$'000	Total HK$'000
As at 1 January 2020	9,154	—	48,508	23,661	14,420	—	95,743
Credited/(charged) to the consolidated statement of comprehensive income	7,658	1,183	(42,785)	5,769	1,123	—	(27,052)
Exchange differences	362	37	1,787	—	963	—	3,149
As at 31 December 2020 and 1 January 2021	**17,174**	**1,220**	**7,510**	**29,430**	**16,506**	—	**71,840**
Credited/(charged) to the consolidated profit or loss	**2,835**	**1,238**	**(7,620)**	**(20,816)**	**14,801**	**33,985**	**24,423**
Exchange differences	**185**	**54**	**110**	**—**	**701**	**495**	**1,545**
As at 31 December 2021	**20,194**	**2,512**	**—**	**8,614**	**32,008**	**34,480**	**97,808**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

As at 31 December 2021, the Group did not recognise deferred income tax assets of approximately HK$220,000 (2020: HK$6,239,000) in respect of losses incurred by the Group's PRC subsidiaries amounting to approximately HK$879,000 (2020: HK$24,956,000), that can be carried forward for one to five years for offsetting against future taxable income.

As at 31 December 2021, the Group did not recognise deferred income tax assets of approximately HK$4,314,000 (2020: HK$101,000) in respect of losses incurred by the Group's Hong Kong subsidiaries amounting to approximately HK$26,143,000 (2020: HK$613,000), that can be used to offset future income with no expiry date.

27 Trade and bills payables

	2021 HK$'000	2020 HK$'000
Trade and bills payables	**661,633**	548,044

The trade and bills payables are non-interest-bearing and are normally settled within credit terms of 30 to 60 days.

At 31 December 2021, the aging analysis of the trade and bills payables based on invoice date are as follows:

	2021 HK$'000	2020 HK$'000
Up to 3 months	**661,633**	547,209
6 months to 1 year	**—**	835
	661,633	548,044

Denominated in:

	2021 HK$'000	2020 HK$'000
RMB	**647,983**	548,044
USD	**13,650**	—
	661,633	548,044

28 Accruals and other payables

	2021 HK$'000	2020 HK$'000
Deposits from logistic companies	**8,573**	8,845
Accrued salaries and wages	**289,716**	194,696
Accrued advertising and promotion expenses	**11,813**	9,066
Accrued listing expenses	**—**	97,362
Payables for capital expenditures	**29,704**	42,090
VAT and other tax payables	**149,844**	204,379
Transportation cost payables	**200,468**	198,648
Others	**63,650**	57,009
	753,768	812,095

The accruals and other payables are non-interest-bearing and are normally settled within credit terms of 30 to 60 days and approximate their fair values.

	2021 HK$'000	2020 HK$'000
RMB	**745,813**	712,242
USD	**—**	83,378
HK$	**7,955**	16,475
	753,768	812,095

29 Bank borrowings

	2021 **HK$'000**	2020 HK$'000
Unsecured		
Current portion	**100,000**	—

At 31 December 2021, based on the contractual repayment terms, the Group's bank borrowings maturity analysis would be as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**100,000**	—

The Group has undrawn borrowing facilities amounting to approximately HK$2,806,519,000 (2020: HK$4,446,000,000) as at 31 December 2021.

Certain borrowing facilities were secured by corporate guarantees and land use rights (Note 17) provided by the Company and certain of its subsidiaries.

As at 31 December 2021, the bank borrowings of the Group approximated their fair values, were denominated in HK$ and with an effective interest rate of 1.4% per annum.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2021.

30 Consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations is as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**1,271,011**	1,749,647
Adjustments for:		
— Interest income	**(141,910)**	(10,816)
— Interest expense	**20,739**	7,258
— Depreciation of property, plant and equipment	**131,558**	126,349
— Depreciation of right-of-use assets	**65,786**	29,603
— Share-based compensation expense	**30,978**	7,087
— Loss on disposals of plant and equipment	**127**	2,265
— Loss on early termination of leases	**132**	—
— Amortisation of intangible assets	**32,413**	25,534
— Amortisation of deferred government grant	**(1,487)**	(1,401)
— Write-off of intangible assets	**9,894**	—
— Provision for impairment of financial assets	**11,608**	791
Operating profit before working capital changes	**1,430,849**	1,936,317
Changes in working capital:		
— Inventories	**96,240**	(67,751)
— Trade and bills receivables	**(188,599)**	(147,888)
— Prepayments, deposits and other receivables	**15,069**	(17,635)
— Trade and bills payables	**96,076**	3,097
— Contract liabilities, accruals and other payables	**46,706**	(12,265)
— Amounts due to related companies	**(111)**	(621)
Net cash generated from operations	**1,496,230**	1,693,254

30 Consolidated statement of cash flows (continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2021 HK$'000	2020 HK$'000
Net book amount	**43,870**	48,376
Net loss on disposals of plant and equipment (Note 7)	**(127)**	(2,265)
Proceeds from disposals of plant and equipment	**43,743**	46,111

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings due within 1 year HK$'000	Bank borrowings due after 1 year HK$'000	Dividend payable HK$'000	Lease Liabilities HK$'000	Total HK$'000
As at 1 January 2020	(206,529)	(207,396)	(48,261)	(60,149)	(522,335)
Net cash flows	213,172	214,068	48,261	13,050	488,551
Non-cash items:					
Addition of leases	—	—	—	(4,064)	(4,064)
Interest accruals	—	—	—	(2,902)	(2,902)
Dividend declared	—	—	(2,300,000)	—	(2,300,000)
Exchange difference	(6,643)	(6,672)	—	(3,679)	(16,994)
As at 31 December 2020	—	—	(2,300,000)	(57,744)	(2,357,744)
As at 1 January 2021	**—**	**—**	**(2,300,000)**	**(57,744)**	**(2,357,744)**
Net cash flows	**(83,961)**	**—**	**2,704,284**	**61,186**	**2,681,509**
Non-cash items:					
Addition of leases	**—**	**—**	**—**	**(137,425)**	**(137,425)**
Interest accruals	**(15,989)**	**—**	**—**	**(4,750)**	**(20,739)**
Early termination of leases	**—**	**—**	**—**	**6,833**	**6,833**
Dividend declared	**—**	**—**	**(404,284)**	**—**	**(404,284)**
Exchange difference	**(50)**	**—**	**—**	**(4,478)**	**(4,528)**
As at 31 December 2021	**(100,000)**	**—**	**—**	**(136,378)**	**(236,378)**

31 Related party transactions

The Group

The directors of the Company are of the view that the following company is a related party of the Group:

Company's name	Relationship with the Group
Guangzhou Daoming Chemical Co., Ltd.	Company owned by Mr. Fu Xiangdong, the brother of Mr. Luo Qiuping

Save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with the related party:

(a) Transactions with a related party

	2021	2020
	HK$'000	HK$'000
Purchase of goods and raw materials from:		
Guangzhou Daoming Chemical Co., Ltd. (Note)	**3,802**	3,861

Note:

Goods were purchased in the ordinary course of business and in accordance with the terms and prices of the underlying agreements as agreed by both parties.

(b) Balance with a related party

	2021	2020
	HK$'000	HK$'000
Amount due to a related company — Trade nature		
Guangzhou Daoming Chemical Co., Ltd.	**407**	505

The carrying amount approximated its fair value and was denominated in RMB, which was unsecured, interest-free and repayable on demand. The trade balance due to the related company represents the trade payable arising from the purchase of goods and raw materials from the related company.

31 Related party transactions (continued)

The Group (continued)

(c) Key management compensation

Key management includes executive directors of the Group. The compensation of key management personnel of the Group is shown below:

	2021 HK$'000	2020 HK$'000
Salaries, bonuses, allowances and other benefits	**27,638**	26,162
Contributions to social security plans	**307**	413
Share-based compensation expense	**2,900**	852
	33,495	27,427

Further details of the directors' and the chief executive's emoluments are included in Note 9 to the consolidated financial statements.

The Company

Amounts due from subsidiaries represent expenses paid by the Company on behalf of certain subsidiaries and injection of working capital to certain subsidiaries as at 31 December 2021.

32 Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the year end date are as follows:

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost		
Trade and bills receivable	**2,253,099**	2,014,298
Deposits and other receivables	**45,059**	208,012
Restricted cash	**—**	17,822
Cash and cash equivalents	**9,233,656**	10,921,095
	11,531,814	13,161,227
Financial liabilities at amortised cost		
Trade and bills payables	**661,633**	548,044
Financial liabilities included in accruals and other payables	**305,635**	413,020
Amounts due to related companies	**407**	505
Bank borrowings	**100,000**	—
Dividend payable	**—**	2,300,000
Lease liabilities	**136,378**	57,744
	1,204,053	3,319,313

The fair values of the financial assets at amortised cost approximate their carrying amounts.

33 Commitments

(a) Capital commitments

	2021 HK$'000	2020 HK$'000
Acquisition of property, plant and equipment and intangible assets:		
— Contracted but not provided for	**184,494**	186,983

33 Commitments (continued)

(b) Operating lease as lessee

As at 31 December 2021, the Group has recognised right-of-use assets for non-cancellable leases where the Group is a lessee, except for short-term leases. The future aggregate minimum lease payments under non-cancellable short-term leases not recognised in the consolidated financial statements are as follows:

	2021	2020
	HK$'000	HK$'000
Properties:		
— No later than 1 year	**3,238**	2,632

(c) Committed leases not yet commenced

As at 31 December 2021, the total future lease payments for leases committed but not yet commenced were payable as follows:

	2021	2020
	HK$'000	HK$'000
Properties:		
— Within one year	**641**	—
— After one year but within five years	**393**	—
	1,034	—

34 Balance sheet and reserves movement of the Company

(a) Balance sheet of the Company

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**38,075**	10
Current assets			
Dividend receivable		**900,000**	2,770,000
Amounts due from subsidiaries	31	**6,079,949**	—
Cash and cash equivalents		**3,542,921**	9,674,012
		10,522,870	12,444,012
Total assets		**10,560,945**	12,444,012
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**58,595**	57,471
Reserves	36(b)	**10,400,144**	9,973,125
Total equity		**10,458,739**	10,030,596
LIABILITIES			
Current liabilities			
Accruals and other payables		**2,206**	96,593
Dividend payable		**—**	2,300,000
Bank borrowings	29	**100,000**	—
Amount due to a subsidiary		**—**	16,833
Total liabilities		**102,206**	2,413,426
Total equity and liabilities		**10,560,945**	12,444,022

The above balance sheet should be read in conjunction with the accompanying notes.

34 Balance sheet and reserves movement of the Company (continued)

(b) Reserves movements of the Company

	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2020	—	36,664	36,664
Profit for the year	—	2,705,758	2,705,758
Issuance of ordinary shares upon:			
— capitalisation issue (Note 22)	(50,000)	—	(50,000)
— initial public offerings (Note 22)	9,824,713	—	9,824,713
Listing expenses charged	(214,433)	—	(214,433)
Dividend relating to listing of the Company (Note 12)	—	(2,336,664)	(2,336,664)
Share options scheme (Note 23(a))	7,087	—	7,087
As at 31 December 2020	9,567,367	405,758	9,973,125
As at 1 January 2021	**9,567,367**	**405,758**	**9,973,125**
Profit for the year	**—**	**1,005,385**	**1,005,385**
Issuance of ordinary shares upon:			
— over-allotment (Note 22)	**1,473,702**	**—**	**1,473,702**
— exercise of share options (Note 23(a))	**1,424**	**—**	**1,424**
Listing expenses charged	**(29,505)**	**—**	**(29,505)**
Dividend relating to 2020 (Note 12)	**—**	**(404,284)**	**(404,284)**
Share options scheme and share award plan (Note 23)	**30,978**	**—**	**30,978**
Purchase of shares held for Share Award Plan (Note 23(b))	**(1,650,681)**	**—**	**(1,650,681)**
As at 31 December 2021	**9,393,285**	**1,006,859**	**10,400,144**

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended December 31				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**7,597,481**	6,996,348	7,049,905	6,767,945	5,632,033
Gross profit	**4,438,798**	4,513,756	4,523,010	3,886,301	2,995,123
Profit before income tax	**1,271,011**	1,749,647	1,475,241	701,915	113,230
Profit for the year/ Profit attributable to equity holders of the Company	**1,014,415**	1,309,411	1,079,617	553,985	86,159
Earnings per share					
Basic	**HK17.49 cents**	HK26.03 cents	HK21.59 cents	HK$55,399	HK$8,616
Diluted	**HK17.39 cents**	HK25.97 cents	HK21.59 cents	HK$55,399	HK$8,616
Dividend per share					
Final	**HK13.80 cents**	HK6.90 cents	N/A	N/A	N/A
Non-current assets	**2,325,827**	2,053,539	1,909,984	1,835,375	1,974,880
Current assets	**12,185,909**	13,749,598	3,130,707	2,452,724	2,400,956
Total assets	**14,511,736**	15,803,137	5,040,691	4,288,099	4,375,836
Non-current liabilities	**261,426**	168,442	401,761	326,474	305,003
Current liabilities	**1,903,888**	3,955,274	1,775,851	2,103,842	2,701,993
Total liabilities	**2,165,314**	4,123,716	2,177,612	2,430,316	3,006,996
Net current assets	**10,282,021**	9,794,324	1,354,856	348,882	(301,037)
Total assets less current liabilities	**12,607,848**	11,847,863	3,264,840	2,184,257	1,673,843
Cash and cash equivalents	**9,233,656**	10,921,095	690,064	467,967	547,436
Key Financial Ratio					
Gross profit margin	**58.4%**	64.5%	64.2%	57.4%	53.2%
Net profit margin	**13.4%**	18.7%	15.3%	8.2%	1.5%
Current ratio	**6.4**	3.5	1.8	1.2	0.9
Return on equity	**8.4%**	18.0%	45.7%	34.3%	6.7%
Return on assets	**6.7%**	12.6%	23.1%	12.8%	2.1%
Dividend payout ratio	**79.7%**	30.3%	N/A	N/A	N/A