

Stock Code: 6993

(Incorporated in the Cayman Islands with limited liability)



蓝月亮



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

2023 INTERIM REPORT





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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

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. Bruno Robert MERCIER

Mr. HU Yebi

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

P.O. 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.blumoon.com.cn>



CORPORATE INFORMATION

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
P.O. 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



COMPANY HIGHLIGHTS

> Corporate Profile

Since the establishment of the Blue Moon brand in 1992, Blue Moon Group Holdings Limited (the “**Company**”), and its subsidiaries (collectively, the “**Group**”) has developed as a consumer-centric and innovative home cleaning solutions provider. In 2020, Blue Moon Group Holdings Limited was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) under the stock code 6993.

Through the Group’s relentless efforts in providing its consumers top quality products for fabric care, home care and personal hygiene products, the Group’s products have earned positive reception and recognition from customers. The Group’s liquid laundry detergent and liquid soap have ranked first in the China Brand Power Index for 13 consecutive years (2011–2023)⁽¹⁾. Its liquid detergent and liquid soap have ranked first in comprehensive market share among similar products for 14 consecutive years (2009–2022) and 11 consecutive years (2012–2022) respectively⁽²⁾.

Committed to “providing cleaning solutions with heart and soul” and insisting on technological innovation, the Group has contributed to the laundry industry of the People’s Republic of China (“**China**” or the “**PRC**”) by leading two significant product upgrades, specifically from “washing powder” to “liquid laundry detergent” and from “ordinary liquid laundry detergent” to “concentrated liquid laundry detergent”. In 2008, the Group took the lead in promoting liquid laundry detergents across China, changing the laundry habits of more than a billion of Chinese people and creating a new era of “liquid” laundry detergents in China. Moreover, in 2015, the Group overcame technical difficulties and launched the first product with a measurable dispensing pump in China — “Blue Moon Machine Wash Supreme Concentrated Plus Laundry Detergent”, which once again revolutionised China’s laundry market.

The Group resolutely continues to optimise its product mix and enrich its product range based on consumer demand. At present, the Group has a diversified product portfolio covering three major product categories: fabric care products, home care products and personal hygiene products, which have helped consumers to quickly and easily resolve their cleaning problems and enjoy a clean and healthy lifestyle.

In the future, the Group will continue to provide consumers with high-quality products, superior services and professional consultation, so that every family can attain a clean, healthy, comfortable, respectable and happy lifestyle.

Notes:

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

(2) 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).



COMPANY HIGHLIGHTS

▶ Production Bases

As at 30 June 2023, the Group had four production bases located in Guangzhou, Tianjin, Kunshan and Chongqing of the PRC. The map below illustrates the geographic coverage of the Group's production bases in the PRC as at 30 June 2023.





COMPANY HIGHLIGHTS

> Company Products

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





MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2023, the Group continued to focus on its consumers and proactively coped with challenges through optimising business operations with its multiple core strategies on products, sales and distribution network, knowledge-based marketing and digitalisation.

- Products:** the Group remained focused on comprehensive product development and persisted in debuting targeted and functional new products through research and development. In addition, the Group continued to consolidate the leading position in fabric care while actively expanding its presence in personal hygiene and home care product categories. The Group continued to promote the sales of best-selling products and actively promoted its new products launched since 2021, such as underwear liquid laundry detergent (內衣專用洗衣液), bacteria and odour removal liquid laundry detergent (除菌去味洗衣液) and liquid laundry detergent for sportswear (運動型洗衣液) to diversify its product portfolio.
- Sales and Distribution Network:** the Group has strived to enhance and expand its sales and distribution channels and optimise its omni-channel sales strategy. It also focused on reaching new customers, improving distributors' operational efficiency and increasing brand exposure.

To systematically increase its market footprint, the Group has leveraged its distribution network and sales agents to penetrate into China's counties and townships and to expand its offline sales coverage. In addition, the Group has opened more new product sampling stores to aid new product launches, brand promotion and to grow its customer base, cement customer relationship and enhance customers' brand loyalty. The Group has also stratified point of sales and formulated corresponding standards for resources allocation, product mix, presentation and visiting frequencies for each product category. For each target region in China, the Group has set business targets with metrics such as distributor coverage, store coverage, exclusive shelf coverage and brand penetration to clarify objectives, monitor sales advancement and guide the attainment of operational goals. In particular:

Offline Distributors: the expansion of county areas and deepening of channels to the lower-tier markets continued to be the core tasks of the Group, and the overall development strategy of distributors continued to focus on penetrating into the lower-tier market. To enhance the overall calibre and quality of the distributors, the Group has optimised its distribution network by recruiting competent distributors. Extra promoters and sales representatives were also assigned to distribution points to strengthen organisational oversight and supervision and institute operational benchmarks. Through such measures, the Group aimed to synchronised distributors with the Group's corporate strategy and build enduring relationships with the distributors.



MANAGEMENT DISCUSSION AND ANALYSIS

Direct Sales to Key Account: in face of the widespread closure of retail outlets of key account customers, in the first half of 2023, the Group adjusted its channel operation strategy in response to market changes, and actively sought opportunities for growth while maintaining stable business development. The Group has reduced sales to credit-based key accounts, and focused on reducing the level of its receivables, in particular, overdue receivables to mitigate risk exposure. Meanwhile, the Group continued to strengthen shelf management and conduct selling campaigns to focus on promoting new and best-selling products with higher gross profit margin, in order to drive sales.

Online Sales Channels: in addition to leveraging leading traditional e-commerce platforms, the Group has also been investing in emerging online channels and optimising its product mix and marketing strategies across various e-commerce platforms. In the first half of 2023, the Group have maintained top rankings on platforms such as JD.com (京東)⁽¹⁾ and Douyin (抖音)⁽²⁾ during the “618 Shopping Festival”.

- **Knowledge-based Marketing:** the Group promoted cleaning products and services through knowledge-based marketing to bring consumers better service and experience.
- **Digitalisation:** the Group has been advancing its consumer data analytics capabilities to deepen its understanding of consumer needs. The Group has also been strengthening digital infrastructures and digitalising operational flow.
- **Talent Management:** the Group has also prioritised achievement of its strategic objectives by improving its talent management system and establishing standardised objectives.

Through the Group’s relentless efforts in providing its consumers top quality products for fabric care, home care and personal hygiene, the Group’s products have earned positive reception and recognition from customers. The Group’s liquid laundry detergent and liquid soap have ranked first in the China Brand Power Index for 13 consecutive years (2011–2023)⁽³⁾. Its liquid laundry detergent and liquid soap have ranked first in comprehensive market share among similar products for 14 consecutive years (2009–2022) and 11 consecutive years (2012–2022) respectively⁽⁴⁾.

Sources:

(1) The Group ranked No. 1 in terms of sales of full-cycle fabric cleaning category on JD.com.

(2) The Group ranked No. 1 in the fabric cleaning category of the Douyin 618 best-selling brand list on that day.

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

(4) 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).



MANAGEMENT DISCUSSION AND ANALYSIS

Business Outlook

In anticipation of gradual recovery of consumption in China and changes in consumption pattern, the Group intends to:

- Provide comprehensive household cleaning solutions: in terms of products, the Group will further diversify and launch new products in its three existing product categories and focus on offering high-quality products with higher gross profit margins. The Group will also focus on the needs of consumers and continue to innovate and promote the Group's long-term development. In terms of services, the Group will expand its service offerings and provide comprehensive cleaning solutions, responding to consumers' queries and providing customised cleaning solutions.
- Enhance omni-channel sales and distribution network and product penetration: for online channels, the Group will consolidate its cooperation with major e-commerce platforms and increase its presence in emerging new online sales and distribution platforms with emphasis on promoting new products. For offline channels, the Group will promote all-round product development and utilise and enhance synergies and coordination between different sales and distribution channels. The Group will also continue to deepen channel cultivation and focus on sales via different point of sales to boost sales.
- Knowledge-based marketing: the Group intends to provide a wider variety of products and more customised services and improve its loyalty programme to improve customer experience.
- Accelerate digitalisation and upgrade manufacturing network to improve operational efficiency.
- Dividend: the Group will strive to enhance its dividend pay-out to provide more sustainable return to its shareholders.
- Adhere to social responsibilities and sustainable development principles: under the Group's environmental, social and governance principles of "excellent products (services), friendlier environment, and happier society", the Group adheres to a green and low-carbon development strategy throughout its product development, manufacturing and packaging to promote sustainable development of the industry.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2023, the Group recorded loss and loss attributable to equity holders of the Company of approximately HK\$167.5 million, as compared to approximately HK\$148.9 million for the six months ended 30 June 2022.

Revenue

For the six months ended 30 June 2023, the Group recorded revenue of approximately HK\$2,222.7 million, which represents a decrease of approximately 22.9% as compared to approximately HK\$2,883.5 million for the six months ended 30 June 2022. The decrease in sales of the Group for the period ended 30 June 2023 was amplified by the depreciation of RMB against HK\$, which is the presentation currency of the Group. As a result, the decrease in the Group's sales in HK\$ terms of approximately 22.9% is larger than that in RMB terms of approximately 16.3%. The decrease is primarily due to additional discounts given to certain key account clients to encourage earlier cash settlements in order to optimize the Group's account receivables balance and the decrease in sales to offline distributors attributable to the normalisation of inventory level of such customers after the pandemic.

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

| | Unaudited | | | | |
|----------------------------------|---------------------------------|---------------------|--------------|-------|---------------|
| | Six months ended 30 June | | | | |
| | 2023 | | 2022 | | Change |
| Revenue HK\$'000 | Total (%) | Revenue HK\$'000 | Total (%) | | |
| Fabric care products | 1,957,974 | 88.1 | 2,451,361 | 85.0 | (20.1) |
| Personal hygiene products | 120,226 | 5.4 | 230,872 | 8.0 | (47.9) |
| Home care products | 144,527 | 6.5 | 201,232 | 7.0 | (28.2) |
| Total | 2,222,727 | 100.0 | 2,883,465 | 100.0 | (22.9) |



MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in sales of fabric care products was mainly attributable to the decrease in sales in offline channels which was resulted from extra discounts provided to certain key account clients to incentivise earlier settlement and post pandemic inventory level normalisation for offline distributors. The Group recorded decrease in sales of personal hygiene products and home care products primarily due to the drop in demand for antiseptic products after the pandemic.

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

| | Unaudited | | | | |
|--|--------------------------|---------------------|--------------|-------|---------------|
| | Six months ended 30 June | | | | |
| | 2023 | | 2022 | | Change (%) |
| Revenue HK\$'000 | Total (%) | Revenue HK\$'000 | Total (%) | | |
| Online sales channels | 1,448,048 | 65.2 | 1,476,578 | 51.2 | (1.9) |
| Direct sales to key account clients | 132,234 | 5.9 | 326,346 | 11.3 | (59.5) |
| Offline distributors | 642,445 | 28.9 | 1,080,541 | 37.5 | (40.5) |
| Total | 2,222,727 | 100.0 | 2,883,465 | 100.0 | (22.9) |

The slight decrease in sales via online channel is mainly due to the depreciation of RMB against HK\$ which is the presentation currency of the Group, while the Group's sales via online channels recorded an increase of 6.4% in RMB terms compared to the period ended 30 June 2022 primarily due to the strong performance of the Group online flagship stores and sales via emerging online channels. The Group recorded decrease in sales to key account clients mainly due to additional discounts given to certain key account clients to encourage earlier cash settlements in order to optimise the Group's account receivables balance. The decrease in sales to offline distributors was attributable to the normalisation of inventory level of such customers after the pandemic.

Cost of Sales

Costs of sales decreased by approximately 26.5% to approximately HK\$995.1 million for the six months ended 30 June 2023 as compared to approximately HK\$1,353.8 million for the six months ended 30 June 2022, which is in line with the decrease in revenue.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

As a result of the foregoing, the Group's gross profit decreased by approximately 19.7% to approximately HK\$1,227.6 million for the six months ended 30 June 2023 as compared to approximately HK\$1,529.6 million for the six months ended 30 June 2022. The gross profit margin increased from 53.0% for the six months ended 30 June 2022 to 55.2% for the six months ended 30 June 2023.

Other Income and Other Gains/(Losses), Net

The Group recorded other income and other gains, net of approximately HK\$12.8 million for the six months ended 30 June 2023 compared to other income and other losses, net of approximately HK\$114.4 million for the six months ended 30 June 2022, primarily due to decrease in net foreign exchange losses recognised during the period as compared to the period ended 30 June 2022. The net foreign exchange impact was reduced as the Group held majority of its offshore bank deposits in USD during the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses remained fairly stable in RMB terms compared to the period ended 30 June 2022. The decrease by approximately 7.7% from approximately HK\$1,146.8 million for the six months ended 30 June 2022 to approximately HK\$1,059.0 million for the six months ended 30 June 2023 was primarily due to the depreciation of RMB against HK\$, which is the presentation currency of the Group.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 7.7% from approximately HK\$502.2 million for the six months ended 30 June 2022 to approximately HK\$540.7 million for the six months ended 30 June 2023, primarily due to the increase in staff costs as a result of increase in administrative, research and development headcounts.

Provision for Impairment Losses of Financial Assets

Additional provision for impairment losses of financial assets amounted to approximately HK\$72.1 million was provided for the six months ended 30 June 2023, primarily due to increase of credit risk of certain customers.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Loss

As a result of the foregoing, the Group incurred an operating loss of approximately HK\$431.4 million for the six months ended 30 June 2023 as compared to an operating loss of approximately HK\$245.9 million for the six months ended 30 June 2022.

Finance Income and Costs

Finance income increased by approximately 60.6% from approximately HK\$85.3 million for the six months ended 30 June 2022 to approximately HK\$137.0 million for the six months ended 30 June 2023, primarily due to increase in fixed deposit placed and increase of USD fixed deposit rate during the period.

Finance costs decreased by approximately 56.4% from approximately HK\$7.8 million for the six months ended 30 June 2022 to approximately HK\$3.4 million for the six months ended 30 June 2023, primarily due to reduction of interest expenses as no borrowings were made during the current period.

Loss before Income Tax

As a result of the foregoing, the Group incurred a loss before income tax of approximately HK\$297.8 million for the six months ended 30 June 2023 as compared to a loss before income tax of approximately HK\$168.4 million for the six months ended 30 June 2022.

Income Tax Credit

The Group recorded income tax credit of approximately HK\$130.3 million for the six months ended 30 June 2023 as compared to income tax credit of approximately HK\$19.5 million for the six months ended 30 June 2022. The effective income tax rate increased from approximately 11.6% for the six months ended 30 June 2022 to approximately 43.8% for the six months ended 30 June 2023, primarily due to the recognition of deferred tax assets in relation to tax losses which management considered can be utilised in the future according to the business plan.

Loss attributable to Equity Holders of the Company

As a result of the foregoing, the Group incurred loss attributable to equity holders of the Company of approximately HK\$167.5 million for the six months ended 30 June 2023 as compared to loss attributable to equity holders of the Company of approximately HK\$148.9 million for the six months ended 30 June 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Basic and Diluted Loss Per Share

Loss per share (basic and diluted) was approximately HK3.01 cents for the six months ended 30 June 2023 and loss per share (basic and diluted) was approximately HK2.65 cents for the six months ended 30 June 2022.

Liquidity and Financial Resources

As at 30 June 2023, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents, which were denominated mainly in RMB, Hong Kong dollar and USD remained stable at approximately HK\$7,686.9 million (31 December 2022: approximately HK\$7,702.4 million).

As at 30 June 2023, the net current assets of the Group were approximately HK\$7,485.9 million (31 December 2022: approximately HK\$8,948.5 million). The Group's current ratio (current assets/current liabilities) was approximately 5.24 times (31 December 2022: approximately 7.27 times).

As at 30 June 2023, the Group has no borrowings (31 December 2022: Nil).

Gearing ratio is not applicable as at 30 June 2023 which is calculated using total bank borrowings divided by total equity as there was no borrowings as at 30 June 2023 (31 December 2022: Nil)

Capital Expenditure and Capital Commitment

For the six months ended 30 June 2023, the capital expenditure of the Group was approximately HK\$80.3 million, which was primarily used to finance the Group's production capacity expansion for its existing production base.

As at 30 June 2023, the capital commitment of the Group amounted to approximately HK\$39.3 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.

Pledge of Assets of the Group

As at 30 June 2023, the Group did not have any pledge on assets (31 December 2022: Nil).

Exposure to Foreign Exchange

The majority of the Group's subsidiaries are operating in the PRC with most of the transactions and assets (other than the unutilised proceeds raised from the Global Offering (as defined in the prospectus of the Company dated 4 December 2020 (the "Prospectus")) 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. Due to the simplicity of the Group's financial structure and current operations, save as aforementioned, no hedging activities are undertaken by management of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Significant Investments, Acquisitions and Disposals

The Company did not have significant investments, acquisitions and disposals during the six months ended 30 June 2023.

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 other existing plan for material investments or capital assets up to the date of this report.

Human Resources

The Group had approximately 8,758 employees as at 30 June 2023. Salaries of employees are maintained at competitive levels. For further details related to the remuneration of employees during the six months ended 30 June 2023, please refer to employee benefits expense in note 9 to the condensed consolidated interim financial information.

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 of directors (the “**Director(s)**”) of the Company (the “**Board**”) has adopted the 2021 Share Award Plan (as defined below) on 3 June 2021 and the 2022 Share Award Plan (as defined below) on 29 March 2022. Further details are set out under the “Corporate Governance and Other Information” section on pages 16 to 24 of this report.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 | 75.83 |
| Mr. LUO Qiuping ⁽²⁾ | Interest of spouse | 4,446,000,000 | 75.83 |
| 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 | 837,500 | 0.02 |
| Mr. Bruno Robert MERCIER ⁽⁷⁾ | Beneficial owner | 20,000 | 0.00 |

Notes:

- (1) As at 30 June 2023, the total number of issued Shares was 5,862,881,906.
- (2) Ms. PAN Dong ("**Ms. PAN**") was the sole shareholder of ZED Group Limited ("**ZED**"), which in turn held (i) directly 75.64% Shares and (ii) indirectly (as the sole shareholder of Van Group Limited ("**VGL**") 0.19% Shares. 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 ("**Mr. LUO**") (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 ("**Mr. POON**") was granted share options under the Pre-IPO Share Option Scheme to subscribe for 975,000 Shares. He directly held 25,000 Shares.



CORPORATE GOVERNANCE AND OTHER INFORMATION

- (5) Mr. POON was the sole shareholder of Allied Power Limited (“**APL**”), which in turn held directly 0.06% Shares. 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 837,500 Shares.
- (7) Mr. Bruno Robert MERCIER directly held 20,000 shares.

(ii) Associated Corporations

| Directors | Associated Corporations | Nature of Interest | Number of ordinary shares interested | Approximate % of shareholding ⁽¹⁾ |
|--------------------------------|-------------------------|------------------------------------|--------------------------------------|--|
| Ms. PAN Dong ⁽²⁾ | ZED Group Limited | Beneficial owner | 1 | 100 |
| | Van Group Limited | Interest in controlled corporation | 1,000 | 100 |
| Mr. LUO Qiuping ⁽²⁾ | ZED Group Limited | Interest of spouse | 1 | 100 |
| | Van Group Limited | Interest of spouse | 1,000 | 100 |

Notes:

- (1) The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at 30 June 2023.
- (2) Ms. PAN was the sole shareholder of ZED, which held the entire issued shares of VGL. Therefore, each of Ms. PAN and Mr. LUO (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.

Details of the share options duly granted to the Directors pursuant to the Pre-IPO Share Option Scheme are set out in the section headed “Pre-IPO Share Option Scheme” of this interim report.

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 pursuant to the Model Code, had to be notified to the Company and the Stock Exchange.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2023, the interests of the persons (other than the Directors) 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 Group Limited⁽²⁾ | Beneficial owner/Interest in controlled corporation | 4,446,000,000 | 75.83 |
| HHLR Advisors, Ltd.⁽³⁾ | Investment manager/Interest in controlled corporation | 527,422,500 | 9.00 |
| HHLR Fund, L.P.⁽³⁾ | Beneficial owner/Interest in controlled corporation | 526,542,800 | 8.98 |
| HCM BM Holdings, Ltd.⁽³⁾ | Beneficial owner | 500,000,000 | 8.53 |

Notes:

- (1) As at 30 June 2023, the total number of issued Shares was 5,862,881,906.
- (2) ZED held (i) 75.64% Shares directly and (ii) indirectly (as the sole shareholder of VGL) 0.19% Shares. 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 (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 British Virgin Islands with limited liability and was owned as to 95.32% by HHLR Fund, L.P., whose sole investment manager is HHLR Advisors, Ltd. HHLR Fund, L.P. was a beneficial owner of 42,765,000 Shares. HHLR Advisors, Ltd.'s interest also included the beneficial interest in 2,157,500 Shares held by YHG Investment L.P., whose general partner was HHLR Advisors, Ltd. Both HHLR 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 30 June 2023, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Pre-IPO Share Option Scheme

The Board adopted the Pre-IPO Share Option Scheme on 23 September 2020. 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 to grantees. The grantees comprise three Directors and certain 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 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**”).

Set out below are the detailed movements in the outstanding options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2023:

| Name of Grantee | Date of grant ⁽¹⁾ | Number of options | | | | | Outstanding options as at 30 June 2023 | Exercise Price per Share | Option Period |
|--|------------------------------|--|---------------------------|--|-----------------------------|--------------------------|--|--------------------------|---------------------------------|
| | | Outstanding options as at 1 January 2023 | Granted during the period | Exercised during the period ⁽²⁾ | Cancelled during the period | Lapsed during the period | | | |
| <i>Directors of the Company</i> | | | | | | | | | |
| 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 | 975,000 | — | — | — | — | 975,000 | HK\$3.76 | 10 years from the date of Grant |
| Ms. XIAO Haishan | 23 September 2020 | 837,500 | — | — | — | — | 837,500 | HK\$3.76 | 10 years from the date of Grant |
| <i>Others</i> | | | | | | | | | |
| Grantees including existing employees and Business Associates of the Group | 23 September 2020 | 45,190,409 | — | (765,000) | — | (964,119) | 43,461,290 | HK\$3.76 | 10 years from the date of Grant |
| Total: | | 51,802,909 | — | (765,000) | — | (964,119) | 50,073,790 | | |

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 shares immediately before the dates on which the options were exercised was HK\$4.58.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, during six months ended 30 June 2023, 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.

As at 30 June 2023, the Company had 50,073,790 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.85% of the weighted average number of shares in issue for the six months ended 30 June 2023.

Share Award Plans

(i) 2021 Share Award Plan

On 3 June 2021, the Board approved the adoption of the share award plan (the “**2021 Share Award Plan**”) to recognise and reward the contribution of certain eligible participants to the growth and 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 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 schedule of the awarded shares to the selected participant).

As at 30 June 2023, 12,022,999 share awards have been granted pursuant to the 2021 Share Award Plan to 347 employees, all of which shall be satisfied by existing Shares. Further 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 share award has been granted to any connected person (as defined under the Listing Rules) of the Company. As at 30 June 2023, 3,649,766 share awards granted have been vested.

(ii) 2022 Share Award Plan

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 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 of the Company (other than by himself or herself).



CORPORATE GOVERNANCE AND OTHER INFORMATION

Since the adoption of the 2022 Share Award Plan on 29 March 2022 and as at 30 June 2023, no share award has been granted pursuant to the 2022 Share Award Plan. Hence, no share awards were vested, cancelled or lapsed during the six months ended 30 June 2023 and there was no unvested awards as at 30 June 2023. Further details in relation to the 2022 Share Award Plan are set out in the announcement of the Company dated 30 March 2022.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2023.

Changes in Information of the Director

Set out below are the changes in the Director's information since the publication of the annual report of the Company for the year ended 31 December 2022, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

| Directors | Changes in Information | Effective Date | |
|---|---|--|--|
| Mr. CAO Wei, a former Non-executive Director of the Company | The Company: | Retired by rotation at the annual general meeting of the Company held on 16 June 2023 (the " AGM ") pursuant to the second amended and restated articles of association of the Company (the " Articles of Association ") and ceased to be a Non-executive Director and a member of the audit committee of the Company (the " Audit Committee ") | With effect from the conclusion of the AGM |
| Ms. NGAN Edith Manling, an Independent Non-executive Director of the Company | Hong Kong SAR Government Standing Committee on Disciplined Services Salaries and Conditions of Service: | Rolled off as a member | 31 December 2022 |
| | Swire Pacific Limited: | Appointed as a member of the audit committee | 11 May 2023 |
| | Innovation and Technology Venture Fund Advisory Committee: | Appointed as a member | 16 June 2023 |



CORPORATE GOVERNANCE AND OTHER INFORMATION

| Directors | Changes in Information | Effective Date | |
|--|------------------------|--|--|
| Ms. NGAN Edith Manling, an Independent Non-executive Director of the Company (Cont'd) | HKBN Ltd.: | Resigned as an independent non-executive director, the chairman of the environmental, social and governance committee and a member of each of the audit committee, the nomination committee and the remuneration committee | 13 September 2023 |
| Mr. Hu Yebi, an Independent Non-executive Director of the Company | The Company: | Appointed as a member of the Audit Committee | With effect from the conclusion of the AGM |

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 (the "CG Code"), and the Company has adopted the CG Code as its own corporate governance code.

The Board is of the view that the Company has complied with applicable code provisions as set out in the CG Code during the six months ended 30 June 2023.

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules 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 six months ended 30 June 2023.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Continuing Disclosure Requirements pursuant to the Listing Rules

The Directors have confirmed that, as of 30 June 2023, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Review of Interim Results

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial information for the six months ended 30 June 2023.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, or the 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 existing Shareholders.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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% of the issued share capital of the Company.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed minimum public float permitted by the Stock Exchange.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Use of Proceeds from the Company's Global Offering

The net proceeds (the "Net Proceeds") from the initial public offering of the Shares 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 and will be utilised as stated in the Prospectus and will continue to be utilised in the manner as stated in the Prospectus and in the timeline as stated below.

| | Net Proceeds⁽¹⁾ <i>approximately HK\$ million</i> | As at 31 December 2022 Unutilised amount <i>approximately HK\$ million</i> | For the six months ended 30 June 2023 Utilised amount <i>approximately HK\$ million</i> | As at 30 June 2023 Unutilised amount <i>approximately HK\$ million</i> |
|---|--|--|---|--|
| Intended use of Net Proceeds as stated in the Prospectus | | | | |
| 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 | 3,475 | 60 | 3,415 ⁽²⁾ |
| Raising brand awareness, further strengthening the Group's sales and distribution network and increasing product penetration | 5,766 | 3,588 | 473 | 3,115 ⁽³⁾ |
| Working capital and for other general corporate purposes | 1,100 | — | — | — |
| Enhancing research and development capabilities | 220 | 141 | 26 | 115 ⁽⁴⁾ |
| Total | 11,004 | 7,204 | 559 | 6,645 |

Notes:

- (1) The net proceeds amount of approximately HK\$11,004 million include approximately HK\$3,800 million net proceeds utilised in the financial years ended 31 December 2021 and 2022 and approximately HK\$7,204 million net proceeds brought forward from the financial year ended 31 December 2022 which were utilized in the manner set out in the table above.
- (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.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | Note | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|------------------|
| | | 2023 HK\$'000 | 2022 HK\$'000 |
| Revenue | 7 | 2,222,727 | 2,883,465 |
| Cost of sales | 9 | (995,131) | (1,353,848) |
| Gross profit | | 1,227,596 | 1,529,617 |
| Other income and other gains/(losses), net | 8 | 12,817 | (114,401) |
| Selling and distribution expenses | 9 | (1,058,971) | (1,146,783) |
| General and administrative expenses | 9 | (540,704) | (502,177) |
| Provision for impairment losses of financial assets | | (72,093) | (12,110) |
| Operating loss | | (431,355) | (245,854) |
| Finance income | | 137,007 | 85,280 |
| Finance costs | | (3,415) | (7,818) |
| Finance income, net | 10 | 133,592 | 77,462 |
| Loss before income tax | | (297,763) | (168,392) |
| Income tax credit | 11 | 130,301 | 19,520 |
| Loss for the period | | (167,462) | (148,872) |
| Loss attributable to equity holders of the Company | | (167,462) | (148,872) |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

| | Note | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|------------------|
| | | 2023 HK\$'000 | 2022 HK\$'000 |
| Loss for the period | | (167,462) | (148,872) |
| Other comprehensive loss | | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences from translation of financial statements of subsidiaries | | (179,580) | (20,832) |
| Other comprehensive loss for the period, net of tax | | (179,580) | (20,832) |
| Total comprehensive loss for the period | | (347,042) | (169,704) |
| Total comprehensive loss attributable to equity holders of the Company | | (347,042) | (169,704) |
| Loss per share attributable to equity holders of the Company | | | |
| Basic | 13 | HK(3.01) cents | HK(2.65) cents |
| Diluted | 13 | HK(3.01) cents | HK(2.65) cents |

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2023

| | Note | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|--|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 1,444,583 | 1,487,737 |
| Right-of-use assets | | 496,673 | 514,062 |
| Intangible assets | | 126,909 | 140,556 |
| Prepayments for property, plant and equipment | | 93,078 | 100,736 |
| Deferred income tax assets | | 325,498 | 96,696 |
| Financial asset at fair value through other comprehensive income | 15 | 14,642 | 15,113 |
| | | 2,501,383 | 2,354,900 |
| Current assets | | | |
| Inventories | | 348,234 | 272,900 |
| Trade and bills receivables | 16 | 890,618 | 2,050,546 |
| Prepayments, deposits and other receivables | 17 | 324,965 | 349,006 |
| Cash and cash equivalents | | 7,686,907 | 7,702,373 |
| | | 9,250,724 | 10,374,825 |
| Total assets | | 11,752,107 | 12,729,725 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | 58,629 | 58,621 |
| Other reserves | 19 | 8,906,132 | 9,065,932 |
| Retained earnings | | 844,724 | 1,948,227 |
| Total equity | | 9,809,485 | 11,072,780 |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2023

| | Note | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|--|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred government grant | | 55,471 | 57,934 |
| Deferred income tax liabilities | | 3,318 | 45,886 |
| Lease liabilities | | 119,034 | 126,779 |
| | | 177,823 | 230,599 |
| Current liabilities | | | |
| Trade and bills payables | 20 | 304,840 | 481,161 |
| Contract liabilities | | 39,018 | 74,558 |
| Accruals and other payables | | 363,835 | 742,327 |
| Amount due to a related company | | 321 | 227 |
| Dividend payable | 12 | 936,041 | — |
| Current income tax liabilities | | 42,112 | 55,292 |
| Lease liabilities | | 78,632 | 72,781 |
| | | 1,764,799 | 1,426,346 |
| Total liabilities | | 1,942,622 | 1,656,945 |
| Total equity and liabilities | | 11,752,107 | 12,729,725 |
| Net current assets | | 7,485,925 | 8,948,479 |
| Total assets less current liabilities | | 9,987,308 | 11,303,379 |

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to equity holders of the Company | | | |
|--|---|----------------------------|-------------------------------|--------------------------|
| | Share capital HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total equity HK\$'000 |
| Unaudited | | | | |
| As at 1 January 2023 | 58,621 | 9,065,932 | 1,948,227 | 11,072,780 |
| Loss for the period | — | — | (167,462) | (167,462) |
| Other comprehensive loss: | | | | |
| Exchange translation of foreign operations | — | (179,580) | — | (179,580) |
| Total comprehensive loss for the period | — | (179,580) | (167,462) | (347,042) |
| Transactions with the owners of the Company | | | | |
| Issuance of ordinary shares upon exercise of share options | 8 | 2,869 | — | 2,877 |
| Dividend relating to 2022 (Note 12) | — | — | (936,041) | (936,041) |
| Share-based compensation expense | — | 17,642 | — | 17,642 |
| Purchase of shares held for 2021 Share Award Plan (Note 19(b)) | — | (731) | — | (731) |
| As at 30 June 2023 | 58,629 | 8,906,132 | 844,724 | 9,809,485 |
| Unaudited | | | | |
| As at 1 January 2022 | 58,595 | 10,074,014 | 2,213,813 | 12,346,422 |
| Loss for the period | — | — | (148,872) | (148,872) |
| Other comprehensive loss: | | | | |
| Exchange translation of foreign operations | — | (20,832) | — | (20,832) |
| Total comprehensive loss for the period | — | (20,832) | (148,872) | (169,704) |
| Transactions with the owners of the Company | | | | |
| Issuance of ordinary shares upon exercise of share options | 19 | 6,969 | — | 6,988 |
| Dividend relating to 2021 | — | — | (773,184) | (773,184) |
| Share-based compensation expense | — | 20,327 | — | 20,327 |
| Purchase of shares held for 2021 Share Award Plan (Note 19(b)) | — | (219,915) | — | (219,915) |
| As at 30 June 2022 | 58,614 | 9,860,563 | 1,291,757 | 11,210,934 |

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Unaudited | |
|--|--------------------------|------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Cash generated from/(used in) operations | 220,247 | (414,951) |
| Interest received | 110,508 | 85,280 |
| Income taxes paid | (158,681) | (374,273) |
| Net cash inflow/(outflow) from operating activities | 172,074 | (703,944) |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (80,260) | (149,155) |
| Proceeds from disposal of property, plant and equipment | 14,031 | 8,139 |
| Acquisition of intangible assets | (1,723) | (67) |
| Investment in a financial asset at fair value through other comprehensive income | — | (15,786) |
| Net cash outflow from investing activities | (67,952) | (156,869) |
| Cash flows from financing activities | | |
| Proceeds from issuance of ordinary shares upon exercise of share options | 2,877 | 6,988 |
| Purchase of shares held for 2021 Share Award Plan | (731) | (219,915) |
| Interest paid | (3,415) | (7,818) |
| Principal elements of lease payments | (35,833) | (17,493) |
| Net cash outflow from financing activities | (37,102) | (238,238) |
| Net increase/(decrease) in cash and cash equivalents | 67,020 | (1,099,051) |
| Cash and cash equivalents at the beginning of period | 7,702,373 | 9,233,656 |
| Effect of exchange rate changes on cash and cash equivalents | (82,486) | 127,893 |
| Cash and cash equivalents at the end of period | 7,686,907 | 8,262,498 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board on 24 August 2023.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2023 of the Group has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

This condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements. Instead, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022 as described in those annual consolidated financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

Accounting policies not described in the annual consolidated financial statements for the year ended 31 December 2022, and the adoption of new and amended standards effective for the financial year ending 31 December 2023 are described below.

(a) New standard and amendment to standards adopted by the Group

The Group has applied the following new standard and certain amendments to existing standards for the first time for their annual reporting period commencing 1 January 2023:

| | |
|---|--|
| HKFRS 17 | Insurance contract |
| HKFRS 17 (Amendments) | Amendments to HKFRS 17 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of accounting policies |
| HKAS 8 (Amendments) | Definition of accounting estimates |
| HKAS 12 (Amendments) | Deferred tax related to assets and liabilities arising from a single transaction |
| HKAS 12 (Amendments) | International tax reform — Pillar two model rules |

The new standard and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies (continued)

(b) Amendments to existing standards not yet adopted

Certain amendments to existing standards have been published that are not mandatory for the financial year beginning 1 January 2023 and have not been early adopted by the Group.

| | | Effective for annual periods beginning on or after |
|--------------------------------------|--|---|
| HKAS 1 (Amendments) | Classification of liabilities as current or non-current | 1 January 2024 |
| HKAS 1 (Amendments) | Non-current liabilities with covenants | 1 January 2024 |
| HKFRS 16 (Amendments) | Lease liabilities in a sales and leaseback | 1 January 2024 |
| Hong Kong Interpretation 5 (Revised) | Classification by the borrower of a term loan that contains a repayment on demand clause | 1 January 2024 |
| Amendments to HKAS 7 and HKFRS 7 | Supplier finance arrangements | 1 January 2024 |
| 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 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.

4 Critical estimates and judgements

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management

5.1 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.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

The Group's primary cash requirements have been used on payments for additions and upgrades of property, plant and equipment, related debts and raw material purchases and operating expenses. The Group finances its working capital requirements through funds generated from operations 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\$7,686,907,000 (2022: HK\$7,702,373,000) and trade and bills receivables of approximately HK\$890,618,000 (2022: HK\$2,050,546,000) (Note 16) that are expected to generate cash inflows for managing liquidity risk.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are at fair value at 30 June 2023:

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| At 30 June 2023 | | | | |
| Assets | | | | |
| Financial asset at fair value through other comprehensive income | — | — | 14,642 | 14,642 |
| At 31 December 2022 | | | | |
| Assets | | | | |
| Financial asset at fair value through other comprehensive income | — | — | 15,113 | 15,113 |

There were no transfers between Level 1, 2 and 3 and no other changes in valuation techniques during the period.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the period:

| | Unaudited Six months ended 30 June 2023 HK\$'000 | Audited Year ended 31 December 2022 HK\$'000 |
|---|--|--|
| <i>Financial asset at FVOCI investment – Unlisted equity instrument</i> | | |
| At 1 January | 15,113 | — |
| Addition | — | 16,149 |
| Exchange differences | (471) | (1,036) |
| | 14,642 | 15,113 |

The significant unobservable input to the valuation of financial asset at FVOCI as at 30 June 2023 is revenue of the investee (2022: Same). The specific valuation techniques used to value financial asset at FVOCI is market approach, which is based on enterprise value to sales multiples of comparable companies in the market.

The carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost approximate their fair values.

6 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Revenue

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

| | Unaudited | |
|--|--------------------------|------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Revenue recognised at a point in time: | | |
| Fabric care products | 1,957,974 | 2,451,361 |
| Personal hygiene products | 120,226 | 230,872 |
| Home care products | 144,527 | 201,232 |
| | 2,222,727 | 2,883,465 |

All of the Group's revenue was generated from customers in the PRC for the six months ended 30 June 2023 and for the same period in 2022, accordingly, no revenue by geographical location is presented.

8 Other income and other gains/(losses), net

| | Unaudited | |
|-----------------------------|--------------------------|------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Government grants | 18,772 | 34,569 |
| Net foreign exchange losses | (9,623) | (144,360) |
| Scrap sales | 125 | (1,307) |
| Compensation income | 3,363 | 796 |
| Sundry income/(expense) | 180 | (4,099) |
| | 12,817 | (114,401) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Expenses by nature

| | Unaudited | |
|---|--------------------------|------------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 850,993 | 1,202,685 |
| Manufacturing overheads (excluding depreciation) | 5,252 | 5,433 |
| Auditor's remuneration | 2,585 | 2,725 |
| Advertising expenses | 86,935 | 97,715 |
| Amortisation of intangible assets | 11,142 | 21,421 |
| Consulting fee | 13,685 | 11,992 |
| Consumables | 3,180 | 3,366 |
| Depreciation of property, plant and equipment (Note 14) | 68,356 | 59,799 |
| Depreciation of right-of-use assets | 43,484 | 36,632 |
| Employee benefits expense | 861,575 | 865,940 |
| Inventory written off | — | 6,987 |
| Maintenance expenses | 9,434 | 15,688 |
| Motor expenses | 7,620 | 7,042 |
| Office expenses | 2,889 | 1,522 |
| Other tax expenses | 45,876 | 36,240 |
| Promotion expenses | 266,048 | 278,732 |
| Recruitment fee | 1,766 | 680 |
| Rental expenses related to short term leases | 6,076 | 7,424 |
| Transportation expenses | 231,100 | 267,290 |
| Travelling expenses | 20,029 | 17,265 |
| Utility expenses | 15,742 | 14,859 |
| Property management fee | 6,858 | 6,126 |
| Training expenses | 2,633 | 696 |
| Telecommunication expenses | 4,546 | 4,651 |
| Donation | 3,875 | 4,872 |
| Others | 23,127 | 25,026 |
| | 2,594,806 | 3,002,808 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Finance income, net

| | Unaudited | |
|--|--------------------------|----------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Finance income | | |
| – Interest income on bank deposits | 137,007 | 85,280 |
| Finance costs | | |
| – Interest expenses on bank borrowings | – | (4,206) |
| – Interest expenses on lease liabilities | (3,415) | (3,612) |
| | (3,415) | (7,818) |
| Finance income, net | 133,592 | 77,462 |

11 Income tax credit

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

| | Unaudited | |
|----------------------------|--------------------------|-----------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Current income tax expense | | |
| – PRC corporate income tax | (71,511) | (113,299) |
| Deferred income tax credit | 201,812 | 132,819 |
| Income tax credit | 130,301 | 19,520 |

Notes:

(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 six months ended 30 June 2023 and for the same period in 2022.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Dividends

A final dividend in respect of the year ended 31 December 2022 of HK16.8 cents per share was proposed by the Board on 28 March 2023 and was approved by the shareholders of the Company (the “Shareholders”) in the annual general meeting held on 16 June 2023.

This final dividend, amounting to approximately HK\$936,041,000, has been recognised as a liability in the condensed consolidated interim financial information for the six months ended 30 June 2023.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

13 Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company of approximately HK\$167,462,000 (six months ended 30 June 2022: HK\$148,872,000) by the weighted average number of ordinary shares in issue less shares held under the 2021 Share Award Plan during the period of approximately 5,570,388,000 (six months ended 30 June 2022: 5,617,803,000) shares.

| | Unaudited | |
|--|---------------------------------|-------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| Loss attributable to equity holders of the Company used in calculating basic and diluted loss per share (HK\$'000) | (167,462) | (148,872) |
| Weighted average number of ordinary shares in issue less shares held under the 2021 Share Award Plan (as defined below) during the period ('000) | 5,570,388 | 5,617,803 |
| Basic loss per share (HK cent per share) | (3.01) | (2.65) |

Diluted

Diluted loss per share adjusts the figures used in the determination of basic loss 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 (as defined below) during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Loss per share (continued)

Diluted (continued)

For the six months ended 30 June 2023, the computation of diluted loss per share does not assume the issuance of the ordinary shares at no consideration on deemed exercise of all options outstanding during the period as well as share awards granted under the 2021 Share Award Plan as at 30 June 2023 as both of them will have an anti-dilutive effect. Therefore, the Group's diluted loss per share equals its basic loss per share (six months ended 30 June 2022: Same).

14 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 |
|--|-----------------------|---------------------------------------|------------------------------------|---|-------------------------------|--|-------------------|
| (Unaudited) | | | | | | | |
| As at 1 January 2023 | | | | | | | |
| Cost | 1,193,311 | 24,918 | 761,177 | 210,194 | 35,655 | 45,465 | 2,270,720 |
| Accumulated depreciation | (184,837) | (13,108) | (447,749) | (120,492) | (16,797) | — | (782,983) |
| Net book amount | 1,008,474 | 11,810 | 313,428 | 89,702 | 18,858 | 45,465 | 1,487,737 |
| Six months ended 30 June 2023 | | | | | | | |
| Opening net book amount | 1,008,474 | 11,810 | 313,428 | 89,702 | 18,858 | 45,465 | 1,487,737 |
| Additions | — | 10,789 | 5,948 | 24,385 | 1,699 | 42,033 | 84,854 |
| Disposals | — | — | (7,753) | (5,593) | (850) | — | (14,196) |
| Transfer | 5,058 | — | 30,084 | 650 | — | (35,792) | — |
| Depreciation | (19,206) | (1,948) | (34,440) | (11,397) | (1,365) | — | (68,356) |
| Exchange differences | (30,731) | (66) | (9,665) | (2,901) | (594) | (1,499) | (45,456) |
| Closing net book amount | 963,595 | 20,585 | 297,602 | 94,846 | 17,748 | 50,207 | 1,444,583 |
| As at 30 June 2023 | | | | | | | |
| Cost | 1,161,578 | 33,407 | 760,899 | 202,625 | 35,365 | 50,207 | 2,244,081 |
| Accumulated depreciation | (197,983) | (12,822) | (463,297) | (107,779) | (17,617) | — | (799,498) |
| Net book amount | 963,595 | 20,585 | 297,602 | 94,846 | 17,748 | 50,207 | 1,444,583 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 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 |
|-----------------------------|-----------------------|---------------------------------------|------------------------------------|---|-------------------------------|--|-------------------|
| (Unaudited) | | | | | | | |
| As at 1 January 2022 | | | | | | | |
| 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 |
| Six months ended | | | | | | | |
| 30 June 2022 | | | | | | | |
| Opening net book amount | 966,164 | 337 | 312,139 | 88,162 | 11,482 | 155,851 | 1,534,135 |
| Additions | 425 | 1,997 | 12,231 | 13,957 | 1,628 | 80,535 | 110,773 |
| Disposals | (10) | — | (4,280) | (2,733) | (158) | — | (7,181) |
| Transfer | 125,061 | — | 12,869 | 2,180 | — | (140,110) | — |
| Depreciation | (14,233) | (338) | (31,177) | (12,679) | (1,372) | — | (59,799) |
| Exchange differences | (44,451) | (52) | (13,489) | (3,892) | (507) | (5,512) | (67,903) |
| Closing net book amount | 1,032,956 | 1,944 | 288,293 | 84,995 | 11,073 | 90,764 | 1,510,025 |
| As at 30 June 2022 | | | | | | | |
| Cost | 1,209,158 | 13,398 | 728,099 | 207,404 | 27,690 | 90,764 | 2,276,513 |
| Accumulated depreciation | (176,202) | (11,454) | (439,806) | (122,409) | (16,617) | — | (766,488) |
| Net book amount | 1,032,956 | 1,944 | 288,293 | 84,995 | 11,073 | 90,764 | 1,510,025 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Financial asset at fair value through other comprehensive income

| | Unaudited Six months ended 30 June 2023 HK\$'000 | Audited Year ended 31 December 2022 HK\$'000 |
|----------------------------|--|--|
| Unlisted equity instrument | 14,642 | 15,113 |

As at 30 June 2023 and 31 December 2022, financial asset at FVOCI comprises of equity interest not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. This is a strategic investment and the Group considers this classification to be more relevant. The fair value of the financial asset at FVOCI was measured at level 3 of fair value hierarchy (Note 5.3).

16 Trade and bills receivables

The aging analysis of trade and bills receivables as at 30 June 2023, based on invoice date, is as follows:

| | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|----------------------------------|---|---|
| 1–30 days | 378,871 | 970,375 |
| 31–60 days | 271,889 | 398,400 |
| 61–180 days | 158,597 | 540,366 |
| Over 180 days | 237,529 | 228,801 |
| Trade and bills receivables | 1,046,886 | 2,137,942 |
| Less: Loss allowance | (156,268) | (87,396) |
| Trade and bills receivables, net | 890,618 | 2,050,546 |

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.

As at 30 June 2023, the carrying amounts of the Group's trade and bills receivables were denominated in Renminbi ("RMB") and approximated their fair values (31 December 2022: Same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Prepayments, deposits and other receivables

| | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|--|---|---|
| Non-current | | |
| Prepayments for acquisition of property, plant and equipment | 93,078 | 100,736 |
| Current | | |
| Prepayments for advertising and promotion expenses | 177,439 | 165,350 |
| Prepayments for raw materials and transportation | 2,421 | 4,917 |
| Other deposits and prepayments | 71,959 | 72,266 |
| VAT recoverable | 22,772 | 20,246 |
| Advances to staff | 667 | 819 |
| Receivables from payment intermediaries (Note) | 13,073 | 60,800 |
| Interest receivable | 26,499 | 16,301 |
| Others | 10,135 | 8,307 |
| | 324,965 | 349,006 |

Note:

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

Denominated in:

| | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|------|---|---|
| RMB | 392,769 | 431,670 |
| HK\$ | 25,274 | 18,072 |
| | 418,043 | 449,742 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Share capital

| | Number of shares | Share capital HK\$'000 |
|---|-----------------------|------------------------------|
| Authorised ordinary shares of HK\$0.01 each: | | |
| Unaudited | | |
| At 1 January and 30 June 2022 | 10,000,000,000 | 100,000 |
| Unaudited | | |
| At 1 January and 30 June 2023 | 10,000,000,000 | 100,000 |
| Ordinary shares of HK\$0.01 each, issued and fully paid: | | |
| Unaudited | | |
| At 1 January 2022 | 5,859,575,000 | 58,595 |
| Issuance of ordinary shares upon exercise of share options (Note) | 1,858,500 | 19 |
| At 30 June 2022 | 5,861,433,500 | 58,614 |
| Unaudited | | |
| At 1 January 2023 | 5,862,116,906 | 58,621 |
| Issuance of ordinary shares upon exercise of share options (Note) | 765,000 | 8 |
| At 30 June 2023 | 5,862,881,906 | 58,629 |

Notes:

During the current period, 765,000 (six months ended 30 June 2022: 1,858,500) share options were exercised at weighted average exercise price of HK\$3.76 (six months ended 30 June 2022: Same) per share, resulting in the issuance of 765,000 (six months ended 30 June 2022: 1,858,500) additional ordinary shares of the Company and additional share capital and share premium of approximately HK\$8,000 (six months ended 30 June 2022: HK\$19,000) and HK\$2,869,000 (six months ended 30 June 2022: HK\$6,969,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Other reserves

| | Share premium HK\$'000 | Statutory surplus reserves (Note (a)) HK\$'000 | Shares held for share award plan HK\$'000 | Share-based payment reserve HK\$'000 | Exchange translation reserve HK\$'000 | Total HK\$'000 |
|---|---------------------------|--|--|---|--|-------------------|
| <i>Unaudited</i> | | | | | | |
| As at 1 January 2022 | 11,005,388 | 381,502 | (1,642,002) | 29,899 | 299,227 | 10,074,014 |
| Issuance of ordinary shares upon exercise of share options | 6,969 | — | — | — | — | 6,969 |
| Share-based compensation expense | — | — | — | 20,327 | — | 20,327 |
| Release of shares-based payment reserve to share premium upon exercise of share options | 1,659 | — | — | (1,659) | — | — |
| Purchase of shares held for 2021 Share Award Plan (Note (b)) | — | — | (219,915) | — | — | (219,915) |
| Vesting of awarded shares | 619 | — | 12,858 | (13,477) | — | — |
| Exchange differences | — | — | — | — | (20,832) | (20,832) |
| As at 30 June 2022 | 11,014,635 | 381,502 | (1,849,059) | 35,090 | 278,395 | 9,860,563 |
| <i>Unaudited</i> | | | | | | |
| As at 1 January 2023 | 11,016,982 | 485,270 | (2,060,191) | 54,530 | (430,659) | 9,065,932 |
| Issuance of ordinary shares upon exercise of share options | 2,869 | — | — | — | — | 2,869 |
| Share-based compensation expense | — | — | — | 17,642 | — | 17,642 |
| Release of shares-based payment reserve to share premium upon exercise of share options | 725 | — | — | (725) | — | — |
| Purchase of shares held for 2021 Share Award Plan (Note (b)) | — | — | (731) | — | — | (731) |
| Vesting of awarded shares | (3,151) | — | 10,914 | (7,763) | — | — |
| Exchange differences | — | — | — | — | (179,580) | (179,580) |
| As at 30 June 2023 | 11,017,425 | 485,270 | (2,050,008) | 63,684 | (610,239) | 8,906,132 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Other reserves (continued)

Notes:

- (a) 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.
- (b) On 3 June 2021, a share award plan (the "2021 Share Award Plan") was approved and adopted by the Board. Unless otherwise cancelled or amended, the 2021 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 six months ended 30 June 2023, the Group had acquired certain of its own shares through the trustee of the 2021 Share Award Plan from open market. The cost of acquiring the shares amounted to approximately HK\$731,000 (six months ended 30 June 2022: HK\$219,915,000) and had been deducted from other reserves as at 30 June 2023. The Shares purchased by the Group that are not yet vested for the 2021 Share Award Plan were recorded as Shares held for share award plan of the Group.

20 Trade and bills payables

| | Unaudited | Audited |
|--------------------------|------------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Trade and bills payables | 304,840 | 481,161 |

At 30 June 2023, the aging analysis of the trade and bills payables based on invoice date is as follows:

| | Unaudited | Audited |
|--------------------|------------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Up to 3 months | 293,919 | 480,655 |
| 3 to 6 months | 5,108 | — |
| 6 months to 1 year | 4,622 | 506 |
| Over 1 year | 1,191 | — |
| | 304,840 | 481,161 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Trade and bills payables (continued)

| Denominated in: | Unaudited As at 30 June 2023 HK\$'000 | Audited As at 31 December 2022 HK\$'000 |
|-------------------|---|---|
| RMB | 297,051 | 461,901 |
| US dollar (“USD”) | 7,283 | 18,754 |
| Euro | 506 | 506 |
| | 304,840 | 481,161 |

21 Related party transactions

The directors of the Company are of the view that the following companies are related parties 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 condensed consolidated interim financial information, the following transactions were carried out with related parties:

(a) Transactions with related parties

| | Unaudited Six months ended 30 June 2023 HK\$'000 | 2022 HK\$'000 |
|---|---|------------------|
| Purchase of goods and raw materials from: | | |
| Guangzhou Daoming Chemical Co., Ltd. (Note) | 845 | 1,381 |

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Related party transactions (continued)

(b) Key management compensation

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

| | Unaudited | |
|--|--------------------------|---------------|
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Salaries, bonuses, allowances and other benefits | 11,161 | 11,152 |
| Contributions to social security plans | 154 | 179 |
| Equity-settled share option expense | 456 | 832 |
| | 11,771 | 12,163 |

22 Commitments

(a) Capital commitments

As at 30 June 2023, the Group had the following capital commitments:

| | Unaudited | Audited |
|---|---------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Acquisition of property, plant and equipment and intangible assets: | | |
| – Contracted but not provided for | 39,315 | 91,076 |

(b) Operating lease as lessee

As at 30 June 2023, 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:

| | Unaudited | Audited |
|------------------------|--------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| Properties: | | |
| – No later than 1 year | 8,244 | 13,669 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Commitments (continued)

(C) Committed leases not yet commenced

As at 30 June 2023, the total future lease payments for leases committed but not yet commenced were payable as follow:

| | Unaudited | Audited |
|--|------------------|-------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Properties: | | |
| – Within one year | – | 327 |
| – After one year but within five years | – | 30 |
| | – | 357 |