



蓝月亮
2022
INTERIM REPORT

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



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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

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.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
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





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.

According to the statistics of the 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), the Group’s liquid laundry detergent and hand wash have occupied the first place in terms of comprehensive market share among similar products for 13 consecutive years (2009–2021) and for 10 consecutive years (2012–2021), respectively¹. In addition, Blue Moon Laundry Detergent and Liquid Soap have also ranked first in the China Brand Power Index for 12 consecutive years (2011–2022) according to Chnbrand’s ranking and analysis report².

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, personal hygiene products and home care 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:

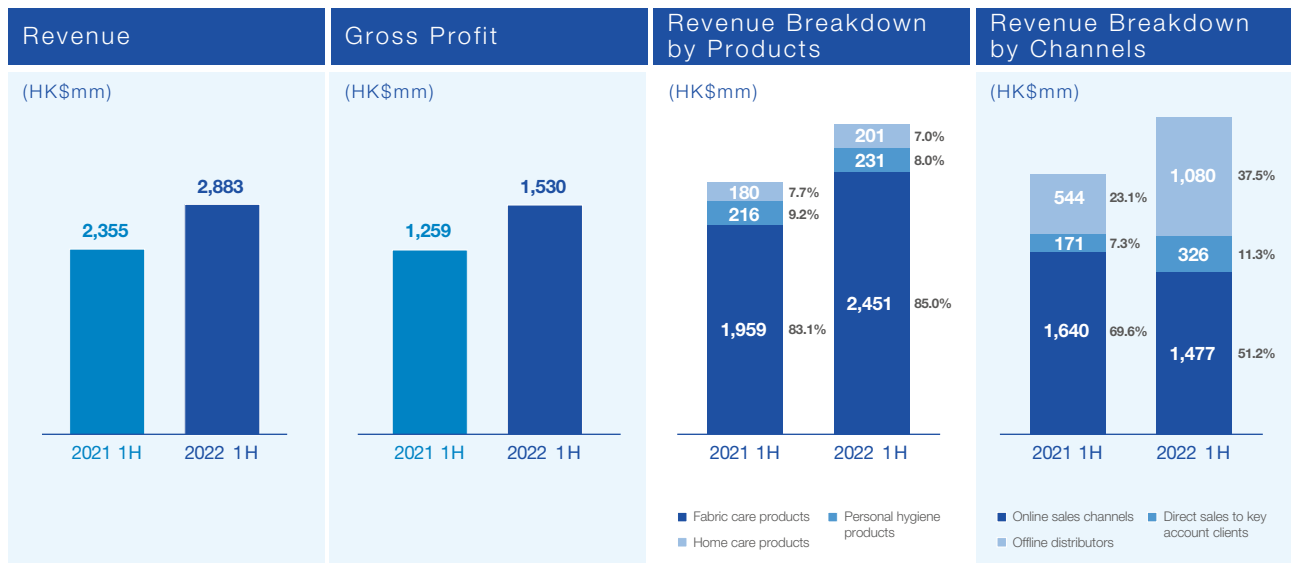
- (1) According to the market sales surveys of representative large retail commercial groups with the annual turnover above RMB100 million across the country in the PRC (which does not include data of Hainan, Tibet, Hong Kong, Macau and Taiwan of China) conducted by China General Chamber of Commerce and China National Commercial Information Center, the Group’s laundry detergent has come first by market shares among products of the same kind for 13 years in a row (2009–2021), and the Group’s hand wash has ranked the first by market shares among products of the same kind for 10 years in a row (2012–2021).
- (2) According to the 2022 (12th) C-BPI rankings and analysis report released by Chnbrand (Beijing) Brand Consulting Co., Ltd. (中企品研(北京)品牌顧問股份有限公司) (“**Chnbrand**”), the Group’s laundry detergent and hand wash have taken the first place by comprehensive brand power for 12 years in a row (2011–2022).



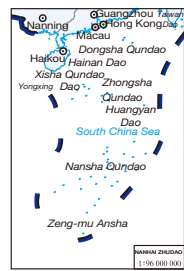
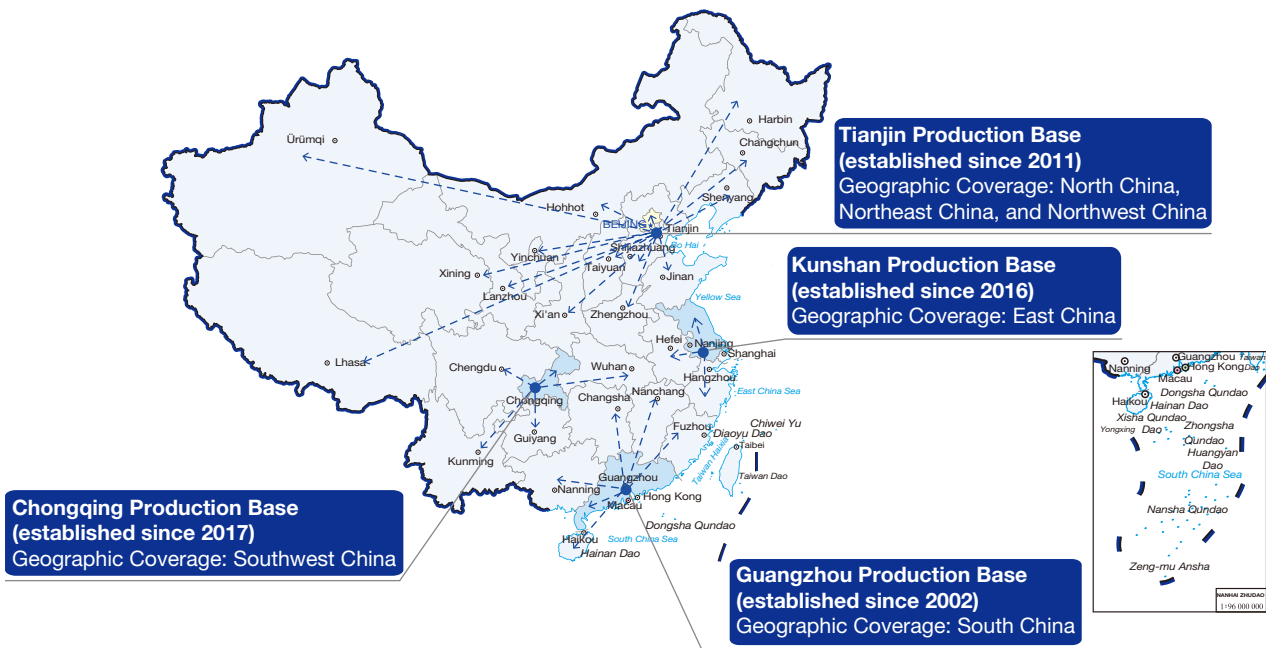


COMPANY HIGHLIGHTS

Interim Results Overview



Production Bases





COMPANY HIGHLIGHTS

Blue Moon Full-suite Home Care Solutions





MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2022, the Group continued to focus on its business strategies relating to product innovation, deepening reform on distribution channels and enhancing brand recognition and awareness.

The Group introduced four new fabric care products and one new personal hygiene product to its array of products which enjoyed popular demand. Focusing on the development of laundry detergents for sportswear in the first half of 2022, the Group has continued to diversify its product portfolio by introducing products with new features and functions.

The revenue of the Group recorded a year on year increase of 22.4% in the first half of 2022, such increase was mainly attributable to the strong growth in offline sales, driven by continuous reform of sales and distribution channels. The Group continued to optimise and expand its offline distribution network through reorganising and expanding its sales and marketing team. We leveraged the high brand recognition of our products aiming to capture the increasing demand for branded and quality products in lower-tier cities in China, and focused on deepening the penetration of its offline distribution network from urban downtown areas of the larger cities to counties, townships and villages across all provinces in China. In spite of the high raw material prices and the impact of COVID-19 on the Group's sales in China in the first half of 2022, the Group has successfully utilised its supply chain management and pricing and marketing strategies to partially offset the impact on gross profit margin. The Group has also maintained its leadership in online channels and has ranked first in sales volume on several online platforms during the "618 Shopping Festival".

In addition, the Group continued to promote and market its brands and products through its unique knowledge-based marketing strategies. The Group actively worked on delivering household care related knowledge and insight to customers to increase brand recognition and consumer loyalty. 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 hand wash have ranked first in the China Brand Power Index for 12 consecutive years (2011–2022)¹. Its liquid laundry detergent and hand wash have ranked first in the comprehensive market share among similar products for 13 consecutive years (2009–2021) and 10 consecutive years (2012–2021), respectively². These awards demonstrated the strength of the brand of the Group and provided much opportunities for its development.

Sources:

(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)





MANAGEMENT DISCUSSION AND ANALYSIS

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 demand.

According to the introduction of The Universal Exercise Scheme (2021–2025)* (《全民健身計劃 (2021–2025年)》) by the State Council of the PRC, it is expected that the percentage of people who regularly participate in physical exercise in China will reach 38.5% in 2025. In response to the increasing health consciousness of customers and the new physical fitness trends, the Group developed and launched a series of products for sportswear in the first half of 2022, including (i) a sportswear liquid laundry detergent (運動型洗衣液) which could remove bacteria, odour and stain and (ii) a sportswear liquid laundry detergent specialised for quick-dry fabrics (運動型洗衣液 — 速乾面料專用), which could remove bacteria, odour and stain and protect the sweat-absorbing and quick-drying features of quick-dry fabric.

In addition, in view of the popular demand for its underwear liquid laundry detergent (內衣專用洗衣液) introduced in 2021, the Group further strengthened the product portfolio of underwear liquid laundry detergents in the first half of 2022 by introducing a new men's underwear liquid laundry detergent (男士內衣洗衣液).

The Group has also continued to strengthen its product portfolio of personal hygiene products in the first half of 2022. As an upgrade of its most popular hand wash product, the Group introduced a new bacteriostatic foaming hand wash (aloe vera) (泡沫抑菌洗手液 (天然蘆薈)), which is gentle, skin protecting and can remove bacteria.

Sales and Distribution Network



Offline Business

The Group continued to broaden and deepen the penetration of its sales and distribution channels in China in the first half of 2022. Through enhanced cooperation with local distributors and refinement of its distributors management system, the Group continued to expand the reach of its sales and distribution network to convenience stores, fresh food supermarkets and small and medium local stores. In order to achieve more accurate allocation of resources according to the corresponding market demands of each channel, the Group has also enhanced the classification management of its distribution channels to ensure a wider coverage of stores and increase product distribution rate in stores under its sales and distribution network.

* For identification purpose only





MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group's market share continued to rank first in the category of household care on Meituan Shangou (美團閃購), a leading O2O platform in China, and rose to the first place in the category of fabric care on JD Daojia (京東到家). The ranking of the Group on platforms such as Ele.me (餓了麼), Dmall (多點) and Taoxianda (淘鮮達) has also increased.

In the first half of 2022, the outbreak of COVID-19 has continued to affect the operation of the Group in China. The Group's sales in China was primarily affected by a series of prevention measures adopted in various areas of the PRC to prevent the spread of COVID-19. As a result, most offline stores were closed, and logistics and distribution were temporarily stagnant in some affected regions. In spite of the above, the Group still recorded an increase in sales in the first half of 2022, attributable to its sales and marketing effort with the reorganisation and expansion of its sales and marketing team.



Online Business

In the first half of 2022, the Group's products have continued to receive wide popularity and recognition from online consumers. During the "618 Shopping Festival" in June 2022, the Group ranked first in JD.com and other major e-commerce platforms¹. The Group has invested continuously in the operation of new and emerging online sales and distribution channels in the first half of 2022. The Group has acquired a leading position in online sales and achieved remarkable results in terms of sales volume across various online platforms.

Outlook, Future Prospects and Strategies

Consumer satisfaction is the Group's top priority. Empowered by its technological capabilities, the Group plans to continue its development in products, channel, marketing and manufacturing to better serve its customers, strengthen its reputation as the expert in household care, and grow its business sustainably.

The Group intends to:

- expand and upgrade its product offerings to solidify its leading market position through upgrading its existing products, expanding its product categories and strengthening premium product offerings;
- further strengthen its omni-channel distribution network and increase product penetration through strengthening its partnership with major e-commerce platforms, national and regional retails and broadening and deepening its offline distribution network to capture opportunities across different tiers of cities;

Note:

(1) The Group ranked first in terms of sales volume among all fabric care product brands on JD.com.





MANAGEMENT DISCUSSION AND ANALYSIS

- promote scientific cleaning knowledge through engaging consumers via online and offline channels to strengthen its brand image as an expert in household care;
- improve consumer experience by providing a full suite of products and services including laundry services and introducing membership programme to enhance its understanding of consumer preference in order to provide more personalised services;
- accelerate digitalisation and upgrade manufacturing network to further improve operational efficiency through enhancing its capability in consumer data analysis in its sales and distribution to improve the accuracy of forecast on production, sales and costs; and
- retain and recruit high quality employees and optimise its human resources management system.

Looking ahead, despite the complex macro economy, the Group remains confident in the long-term development of China's cleaning market and the business of the Group in the second half of 2022.

Financial Review

For the six months ended 30 June 2022, the Group recorded revenue of approximately HK\$2,883.5 million, which represents an increase of approximately 22.4% as compared to approximately HK\$2,355.4 million for the six months ended 30 June 2021. The Group recorded loss and loss attributable to equity holders of the Company of approximately HK\$148.9 million for the six months ended 30 June 2022, as compared to approximately \$43.9 million for the six months ended 30 June 2021. The loss was mainly attributable to the net foreign exchange loss of approximately HK\$142.2 million primarily arising from the depreciation of offshore Renminbi (RMB) denominated bank deposits held by the Group against the US dollar (USD) during the six months ended 30 June 2022 and did not arise from the principal business operations of the Group.

Revenue

For the six months ended 30 June 2022, the Group recorded revenue of approximately HK\$2,883.5 million, which represents an increase of approximately 22.4% as compared to approximately HK\$2,355.4 million for the six months ended 30 June 2021. The increase is primarily due to the Group's offline channels reform, optimisation of pricing of products and introduction of new products during the period.





MANAGEMENT DISCUSSION AND ANALYSIS

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				
	2022		2021		Change (%)
Revenue HK\$'000	Total (%)	Revenue HK\$'000	Total (%)		
Fabric care products	2,451,361	85.0	1,958,616	83.1	25.2
Personal hygiene products	230,872	8.0	216,536	9.2	6.6
Home care products	201,232	7.0	180,249	7.7	11.6
Total	2,883,465	100.0	2,355,401	100.0	22.4

The Group recorded an increase in sales across all three product categories, in particular the fabric care products, with a 25.2% growth compared to the first half of 2021. New fabric care products introduced in 2021 and during the first half of 2022 contributed approximately 7.0% to the Group's total sales during the period and hence the improvement in sales in this product category.

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				
	2022		2021		Change (%)
Revenue HK\$'000	Total (%)	Revenue HK\$'000	Total (%)		
Online sales channels	1,476,578	51.2	1,640,235	69.6	-10.0
Direct sales to key account clients	326,346	11.3	170,833	7.3	91.0
Offline distributors	1,080,541	37.5	544,333	23.1	98.5
Total	2,883,465	100.0	2,355,401	100.0	22.4





MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded significant increase in sales to its offline channels, including key account clients and offline distributors, primarily due to the optimisation and expansion of its offline distribution network to lower tier cities.

Cost of Sales

Costs of sales increased by approximately 23.5% to approximately HK\$1,353.8 million for the six months ended 30 June 2022 as compared to approximately HK\$1,095.9 million for the six months ended 30 June 2021, which is in line with the increase in revenue.

Gross Profit

As a result of the foregoing, the Group's gross profit increased by approximately 21.4% to approximately HK\$1,529.6 million for the six months ended 30 June 2022 as compared to approximately HK\$1,259.5 million for the six months ended 30 June 2021. The gross profit margin remained stable at 53.0% for the six months ended 30 June 2022 compared to 53.5% for the six months ended 30 June 2021.

Other Income and Other Loss, Net

The Group's net other income and other loss decreased by approximately 1,035.9% from net other income and other gains of approximately HK\$12.2 million for the six months ended 30 June 2021 to net other income and other loss of approximately HK\$114.4 million for the six months ended 30 June 2022, primarily due to net foreign exchange loss arising from the depreciation of offshore RMB denominated bank deposits held by the Group against the USD.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 25.1% from approximately HK\$916.3 million for the six months ended 30 June 2021 to approximately HK\$1,146.8 million for the six months ended 30 June 2022, primarily due to increase in staff costs as a result of increased sales headcount and increase in marketing expenses for offline channel.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 11.7% from approximately HK\$449.4 million for the six months ended 30 June 2021 to approximately HK\$502.2 million for the six months ended 30 June 2022, primarily due to commencement of new lease contracts and increase in administrative staff costs.

Provision for Impairment Losses of Financial Assets

Additional provision for impairment losses of financial assets amounted to approximately HK\$12.1 million was provided for the six months ended 30 June 2022, primarily due to deterioration of ageing profiles of certain customers' trade receivables as arisen from lengthening of trade receivables reconciliation process.





MANAGEMENT DISCUSSION AND ANALYSIS

Operating Loss

As a result of the foregoing, the Group incurred an operating loss of approximately HK\$245.9 million for the six months ended 30 June 2022 as compared to an operating loss of approximately HK\$97.7 million for the six months ended 30 June 2021.

Finance Income and Costs

Finance income increased by approximately 51.0% from approximately HK\$56.5 million for the six months ended 30 June 2021 to approximately HK\$85.3 million for the six months ended 30 June 2022, primarily due to increase in short-term deposit placed during the current period.

Finance costs decreased by approximately 58.3% from approximately HK\$18.8 million for the six months ended 30 June 2021 to approximately HK\$7.8 million for the six months ended 30 June 2022, primarily due to reduced interest expense as a result of repayment of the loan related to the interim dividend that was declared in June 2020.

Loss before Income Tax

As a result of the foregoing, the Group incurred a loss before income tax of approximately HK\$168.4 million for the six months ended 30 June 2022 as compared to a loss before income tax of approximately HK\$59.9 million for the six months ended 30 June 2021.

Income Tax Credit

The Group recorded income tax credit of approximately HK\$19.5 million for the six months ended 30 June 2022 as compared to income tax credit of approximately HK\$16.0 million for the six months ended 30 June 2021. The effective income tax rate decreased from approximately 26.7% for the six months ended 30 June 2021 to approximately 11.6% for the six months ended 30 June 2022, primarily due to the non-deductible foreign exchange loss incurred during the period and recognition of deferred tax assets in relation to tax loss of certain PRC subsidiaries.

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\$148.9 million for the six months ended 30 June 2022 as compared to loss attributable to equity holders of the Company of approximately HK\$43.9 million for the six months ended 30 June 2021.

Basic and Diluted Loss Per Share

Loss per share (basic and diluted) was approximately HK2.65 cents for the six months ended 30 June 2022 and loss per share (basic and diluted) was approximately HK0.75 cents for the six months ended 30 June 2021.

Liquidity and Financial Resources

As at 30 June 2022, 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, amounted to approximately HK\$8,262.5 million, which represents a decrease of approximately HK\$971.2 million from approximately HK\$9,233.7 million as at 31 December 2021. The decrease in bank deposits and cash was primarily due to payment of income tax and purchase of the ordinary shares of the Company (the "Shares") held for the 2021 Share Award Plan (as defined below).





MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the net current assets of the Group were approximately HK\$8,965.0 million (31 December 2021: approximately HK\$10,282.0 million). The Group's current ratio (current assets/ current liabilities) was approximately 6.0 times (31 December 2021: approximately 6.4 times).

As at 30 June 2022, the Group has borrowings of HK\$100 million (31 December 2021: HK\$100 million), which according to the contractual repayment terms, shall mature within 1 year. Such borrowings are denominated in Hong Kong dollar with an effective interest rate of 1.4% per annum.

The Group's gearing ratio is 0.9% as at 30 June 2022, which is calculated using total bank borrowings divided by total equity (31 December 2021: 0.8%).

Capital Expenditure and Capital Commitment

For the six months ended 30 June 2022, the capital expenditure of the Group was approximately HK\$149.2 million, which was primarily used to finance the Group's production capacity expansion for its existing production bases.

As at 30 June 2022, the capital commitment of the Group amounted to approximately HK\$218.9 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 30 June 2022, the Group did not have any pledge on assets (31 December 2021: approximately HK\$63.9 million of land use rights were pledged to banks to secure certain bank facilities of the Group).

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. Foreign exchange risks mainly arise from the depreciation of offshore Renminbi (RMB) denominated bank deposits held by the Group against the US dollar (USD).

Considering foreign exchange fluctuations, the Group exchanged a majority of its offshore RMB denominated bank deposits into USD in May 2022 and currently keeps a substantial portion of its offshore bank balances in USD and Hong Kong dollar (HK\$). Because of 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 2022, 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 six months ended 30 June 2022.

Human Resources

The Group had approximately 8,190 employees as at 30 June 2022. Salaries of employees are maintained at competitive levels. For further details related to the remuneration of employees during the six months ended 30 June 2022, please refer to employee benefits expense in note 8 to the condensed consolidated interim financial information.

The Group offers a competitive remuneration and benefits package to its employees. The Group also participates, in accordance with the requirements of the 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.

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 19 to 21 of this report.

Events After the Six Months Ended 30 June 2022

The new production and storage facilities located at our existing production base in Chongqing, the PRC (the "New Production Facility") has entered the commercial production stage since 6 July 2022. Construction of phase two of the New Production Facility have been completed. The New Production Facility has a gross floor area of approximately 49,000 square meters with production capacity of approximately 100,000 tonnes per year. The New Production Facility is expected to add up to 11 additional production lines for manufacturing a range of home care, personal hygiene and fabric care products, including disinfectant products, colour bleach and toilet cleaner.





CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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

Names of Directors	Nature of Interest	Number of Shares	Approximate % of Shares held ⁽¹⁾
Ms. PAN Dong ⁽²⁾	Interest in controlled corporation	4,446,000,000	75.85
Mr. LUO Qiuping ⁽²⁾	Interest of spouse	4,446,000,000	75.85
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 30 June 2022, the total number of issued Shares was 5,861,433,500.
- (2) Ms. PAN Dong ("**Ms. PAN**") was the sole shareholder of ZED Group Limited ("**ZED**"), which in turn held (i) directly 75.66% 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 1,000,000 Shares. Mr. POON exercised share options of 25,000 Shares on 11 March 2022. As at 30 June 2022, Mr. POON held share options under the Pre-IPO Share Option Scheme to subscribe for 975,000 Shares and 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 900,000 Shares.
- (7) Mr. Bruno Robert MERCIER directly held 20,000 shares.

(ii) Associated Corporations

Names of 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 2022.
- (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 (iii) 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 2022, 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	75.85
Hillhouse Capital Advisors, Ltd. ⁽³⁾	Investment manager/Interest in controlled corporation	544,922,500	9.30
Gaoling Fund, L.P. ⁽³⁾	Beneficial owner/Interest in controlled corporation	542,765,000	9.26
HCM BM Holdings, Ltd. ⁽³⁾	Beneficial owner	500,000,000	8.53

Notes:

- (1) As at 30 June 2022, the total number of issued Shares was 5,861,433,500.
- (2) ZED held (i) 75.66% 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 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 30 June 2022, 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 2022:

Name of Grantee	Date of grant ⁽¹⁾	Number of options					Outstanding options as at 30 June 2022	Exercise Price per Share (HK\$)	Option Period
		Outstanding options as at 1 January 2022	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	1,000,000	—	(25,000)	—	—	975,000	HK\$3.76	10 years from the date of Grant
Ms. XIAO Haishan	23 September 2020	900,000	—	—	—	—	900,000	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	51,479,800	—	(1,833,500)	—	(2,035,500)	47,610,800	HK\$3.76	10 years from the date of Grant
Total:		58,179,800	—	(1,858,500)	—	(2,035,500)	54,285,800		



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 the Group as determined by the Board at its sole and absolute discretion. Notwithstanding the above, the 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\$6.27.

Save as disclosed above, during the six months ended 30 June 2022, no share options were granted or cancelled under the Pre-IPO Share Option Scheme. For further details regarding the Pre-IPO Share Option Scheme, please refer to the Prospectus.

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 2022, 8,613,000 share awards have been granted pursuant to the 2021 Share Award Plan to 335 employees. 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 awards have been granted pursuant to the 2021 Share Award Plan to any connected persons (as defined under the Listing Rules) of the Company. As at 30 June 2022, none of the share awards granted have been vested.





CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2022.

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 2021, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (i) on 10 May 2022, Ms. NGAN Edith Manling (“**Ms. NGAN**”), an independent non-executive Director of the Company, has resigned as an independent non-executive director, chairperson of the audit committee and a member of the risk committee of Blue Insurance Limited, a regulated entity of the Hong Kong Insurance Authority;
- (ii) on 20 May 2022, Ms. NGAN has been appointed as an independent non-executive director, chairperson of the audit committee and a member of each of the nomination committee, the remuneration committee, the risk committee and the compliance committee of Asia Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange; and
- (iii) on 24 June 2022, Ms. NGAN has been appointed as an independent non-executive director of Swire Pacific Limited, a company listed on the Main Board of the Stock Exchange.





CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022.

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 2022.

Continuing Disclosure Requirements pursuant to the Listing Rules

The Directors have confirmed that, as of 30 June 2022, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.





CORPORATE GOVERNANCE AND OTHER INFORMATION

Review of Interim Results

The audit committee of the Company 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 2022.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the amended and restated articles of association of the Company, 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 2022, 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.

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds ⁽¹⁾ approximately HK\$ million	As at 31 December 2021 Unutilised amount approximately HK\$ million	For the	As at
			six months ended 30 June 2022 Utilised amount approximately HK\$ million	30 June 2022 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	3,680	98	3,582 ⁽²⁾
Raising brand awareness, further strengthening the Group's sales and distribution network and increasing product penetration	5,766	4,647	497	4,150 ⁽³⁾
Working capital and for other general corporate purposes	1,100	—	—	—
Enhancing research and development capabilities	220	177	24	153 ⁽⁴⁾
Total	11,004	8,504	619	7,885

Notes:

- (1) The net proceeds amount of HK\$11,004 million include HK\$2,500 million net proceeds utilized in the financial year ended 31 December 2021 and HK\$8,504 million net proceeds brought forward from the financial year ended 31 December 2021 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 2022

	Note	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Revenue	7	2,883,465	2,355,401
Cost of sales	8	(1,353,848)	(1,095,938)
Gross profit		1,529,617	1,259,463
Other income and other (loss)/gains, net		(114,401)	12,224
Selling and distribution expenses	8	(1,146,783)	(916,346)
General and administrative expenses	8	(502,177)	(449,391)
Provision for impairment losses of financial assets		(12,110)	(3,616)
Operating loss		(245,854)	(97,666)
Finance income		85,280	56,490
Finance costs		(7,818)	(18,764)
Finance income, net	9	77,462	37,726
Loss before income tax		(168,392)	(59,940)
Income tax credit	10	19,520	16,003
Loss for the period		(148,872)	(43,937)
Loss attributable to equity holders of the Company		(148,872)	(43,937)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Loss for the period		(148,872)	(43,937)
Other comprehensive (loss)/income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences from translation of financial statements of subsidiaries		(20,832)	72,100
Other comprehensive (loss)/income for the period, net of tax		(20,832)	72,100
Total comprehensive (loss)/income for the period		(169,704)	28,163
Total comprehensive (loss)/income attributable to equity holders of the Company		(169,704)	28,163
Loss per share attributable to equity holders of the Company			
Basic	12	HK(2.65) cents	HK(0.75) cents
Diluted	12	HK(2.65) cents	HK(0.75) 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 2022

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,510,025	1,534,135
Right-of-use assets		560,907	495,578
Intangible assets		157,776	186,865
Prepayments for property, plant and equipment		100,362	66,282
Deferred income tax assets		165,217	42,967
Financial asset at fair value through other comprehensive income	14	15,786	—
		2,510,073	2,325,827
Current assets			
Inventories		436,541	385,968
Trade and bills receivables	15	1,701,195	2,253,099
Prepayments, deposits and other receivables	16	347,045	313,186
Cash and cash equivalents		8,262,498	9,233,656
		10,747,279	12,185,909
Total assets		13,257,352	14,511,736
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	58,614	58,595
Other reserves	18	9,860,563	10,074,014
Retained earnings		1,291,757	2,213,813
Total equity		11,210,934	12,346,422

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2022

	Note	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred government grant		61,225	64,784
Deferred income tax liabilities		51,405	121,555
Lease liabilities		151,551	75,087
		264,181	261,426
Current liabilities			
Trade and bills payables	19	437,752	661,633
Contract liabilities		63,365	60,346
Accruals and other payables		273,358	753,768
Amount due to a related company		254	407
Dividend payable	11	773,184	—
Current income tax liabilities		58,734	266,443
Borrowings		100,000	100,000
Lease liabilities		75,590	61,291
		1,782,237	1,903,888
Total liabilities		2,046,418	2,165,314
Total equity and liabilities		13,257,352	14,511,736
Net current assets		8,965,042	10,282,021
Total assets less current liabilities		11,475,115	12,607,848

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 2022

	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 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 income 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 (Note 11)	—	—	(773,184)	(773,184)
Share-based compensation expense	—	20,327	—	20,327
Purchase of shares held for 2021 Share Award Plan (Note 18)	—	(219,915)	—	(219,915)
As at 30 June 2022	58,614	9,860,563	1,291,757	11,210,934
Unaudited				
As at 1 January 2021	57,471	9,920,729	1,701,221	11,679,421
Loss for the period	—	—	(43,937)	(43,937)
Other comprehensive income:				
Exchange translation of foreign operations	—	72,100	—	72,100
Total comprehensive income for the period	—	72,100	(43,937)	28,163
Transactions with the owners of the Company				
Issuance of ordinary shares upon over-allotment	1,120	1,473,701	—	1,474,821
Listing expenses charged	—	(29,505)	—	(29,505)
Dividend declared	—	—	(404,284)	(404,284)
Share-based compensation expense	—	12,215	—	12,215
Purchase of shares held for 2021 Share Award Plan (Note 18)	—	(21,551)	—	(21,551)
As at 30 June 2021	58,591	11,427,689	1,253,000	12,739,280

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 2022

	Note	Unaudited Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations		(414,951)	82,501
Interest received		85,280	56,490
Income taxes paid		(374,273)	(210,383)
Net cash outflow from operating activities		(703,944)	(71,392)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(149,155)	(105,063)
Proceeds from disposal of property, plant and equipment		8,139	5,637
Acquisition of intangible assets		(67)	(13,821)
Release of restricted cash		—	17,925
Investment in a financial asset at fair value through other comprehensive income		(15,786)	—
Net cash outflow from investing activities		(156,869)	(95,322)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon over-allotment		—	1,474,821
Proceeds from issuance of ordinary shares upon exercise of share options		6,988	—
Purchase of shares held for 2021 Share Award Plan		(219,915)	(21,551)
Interest paid		(7,818)	(18,764)
Proceeds from borrowings		—	1,300,009
Repayment of borrowings		—	(1,300,009)
Dividend paid	11	—	(2,300,000)
Principal elements of lease payments		(17,493)	(23,104)
Net cash outflow from financing activities		(238,238)	(888,598)
Net decrease in cash and cash equivalents		(1,099,051)	(1,055,312)
Cash and cash equivalents at the beginning of period		9,233,656	10,921,095
Effect of exchange rate changes on cash and cash equivalents		127,893	38,888
Cash and cash equivalents at the end of period		8,262,498	9,904,671

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 25 August 2022.

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 2022 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 2021, 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 2021 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 2021, and the adoption of amended standards effective for the financial year ending 31 December 2022 are described below.

(a) New accounting policy adopted by the Group

The Group has invested in a financial asset at fair value through other comprehensive income (“FVOCI”) for the financial year beginning on 1 January 2022. The new accounting policy related to financial assets at FVOCI is as follows:

Financial assets

(a) Classification

The Group classifies its financial assets as equity instruments to be measured subsequently at fair value through other comprehensive income (“FVOCI”).

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

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies (continued)

(a) New accounting policy adopted by the Group (continued)

Financial assets (continued)

(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.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(b) 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 2022:

Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before intended use
Amendments to HKAS 37	Onerous contracts — costs of fulfilling a contract
Amendments to HKFRS 3 (Revised)	Update reference to the conceptual framework
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies (continued)

(c) New standard and amendments to existing standards not yet adopted

A new accounting standard and certain amendments to existing standards have been published that are not mandatory for the financial year beginning 1 January 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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
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
Amendments to HKFRS 17	Amendments to HKFRS17	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2021, except for those mentioned in Notes 3(a) and 5.3 in relation to financial assets at FVOCI.

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 2021.

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 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\$8,262,498,000 (2021: HK\$9,233,656,000) and trade and bills receivables of approximately HK\$1,701,195,000 (2021: HK\$2,253,099,000) (Note 15) that are expected to generate cash inflows for managing liquidity risk.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management (continued)

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 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).

The following table presents the Group's financial assets that are at fair value at 30 June 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2022				
Assets				
Financial asset at fair value through other comprehensive income	—	—	15,786	15,786

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

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.

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

	Unaudited Six months ended 30 June 2022 HK\$'000
At 1 January	—
Addition	16,149
Exchange differences	(363)
At 30 June 2022	15,786

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

7 Revenue

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue recognised at a point in time:		
Fabric care products	2,451,361	1,958,616
Personal hygiene products	230,872	216,536
Home care products	201,232	180,249
	2,883,465	2,355,401

All of the Group’s revenue was generated from customers in the PRC for the six months ended 30 June 2022 and for the same period in 2021, accordingly, no revenue by geographical location is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of raw materials consumed	1,326,864	933,498
Changes in inventories of finished goods and work in progress	(124,179)	19,219
Manufacturing overheads (excluding depreciation)	5,433	7,852
Auditor's remuneration	2,725	2,975
Advertising expenses	97,715	109,818
Amortisation of intangible assets	21,421	20,229
Consulting fee	11,992	11,513
Consumables	3,366	2,995
Depreciation of property, plant and equipment (Note 13)	59,799	67,291
Depreciation of right-of-use assets	36,632	21,128
Employee benefits expense	865,940	680,750
Inventory written off	6,987	5,750
(Gain)/loss on disposals of plant and equipment, net	(958)	1,457
Maintenance expenses	15,688	7,891
Motor expenses	7,042	6,479
Office expenses	1,522	1,377
Other tax expenses	36,240	30,862
Promotion expenses	278,732	236,630
Recruitment fee	680	2,400
Rental expenses related to short term leases	7,424	8,481
Transportation expenses	267,290	237,959
Travelling expenses	17,265	11,204
Utility expenses	14,859	12,579
Others	42,329	21,338
	3,002,808	2,461,675

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Finance income, net

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Finance income		
– Interest income on bank deposits	85,280	56,490
Finance costs		
– Interest expenses on bank borrowings	(4,206)	(16,497)
– Interest expenses on lease liabilities	(3,612)	(2,267)
	(7,818)	(18,764)
Finance income, net	77,462	37,726

10 Income tax credit

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax (expense)/credit		
– PRC corporate income tax	(113,299)	16,674
Deferred income tax credit/(expense)	132,819	(671)
Income tax credit	19,520	16,003

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 2022 (2021: Nil).

(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

11 Dividends

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 was approved by the shareholders of the Company (the “Shareholders”) in the annual general meeting held on 24 June 2022.

This final dividend, amounting to approximately HK\$773,184,000, has been recognised as a liability in the condensed consolidated interim financial information for the six months ended 30 June 2022.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

12 Loss per share

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company of approximately HK\$148,872,000 (six months ended 30 June 2021: HK\$43,937,000) by the weighted number of ordinary shares in issue less shares held under the 2021 Share Award Plan during the period of approximately 5,617,803,000 shares (six months ended 30 June 2021: 5,852,915,000 shares).

	Unaudited	
	Six months ended 30 June	
	2022	2021
Loss attributable to equity holders of the Company used in calculating basic and diluted loss per share (HK\$'000)	(148,872)	(43,937)
Weighted number of ordinary shares in issue less shares held under the 2021 Share Award Plan during the period ('000)	5,617,803	5,852,915
Basic loss per share (HK cent per share)	(2.65)	(0.75)

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 during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Loss per share (continued)

Diluted (continued)

For the six months ended 30 June 2022, 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 2022 as both of them will have an anti-dilutive effect. Therefore, the Group's diluted loss per share equals its basic loss per share.

For the same period in 2021, as the outstanding share options did not have dilutive effect, the Group's diluted loss per share equalled its basic loss per share.

13 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 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

13 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 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
Six months ended							
30 June 2021							
Opening net book amount	919,764	—	304,708	70,258	11,076	76,668	1,382,474
Additions	—	—	3,549	10,885	470	84,077	98,981
Disposals	(1,312)	—	(2,153)	(2,806)	(238)	—	(6,509)
Transfer	18,684	—	41,116	2,529	—	(62,329)	—
Depreciation	(19,959)	—	(33,971)	(12,123)	(1,238)	—	(67,291)
Exchange differences	11,705	—	2,705	824	92	1,049	16,375
Closing net book amount	928,882	—	315,954	69,567	10,162	99,465	1,424,030
As at 30 June 2021							
Cost	1,080,518	11,906	723,441	185,172	26,586	99,465	2,127,088
Accumulated depreciation	(151,636)	(11,906)	(407,487)	(115,605)	(16,424)	—	(703,058)
Net book amount	928,882	—	315,954	69,567	10,162	99,465	1,424,030

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Financial asset at fair value through other comprehensive income

The movement of equity investments are as follows:

	Unaudited Six months ended 30 June 2022 HK\$'000
Unlisted equity instrument	
At 1 January	—
Addition	16,149
Exchange differences	(363)
At 30 June 2022	15,786

As at 30 June 2022, financial asset at fair value through other comprehensive income comprises of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments 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).

15 Trade and bills receivables

The aging analysis of trade and bills receivables as at 30 June 2022, based on invoice date, is as follows:

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
1–30 days	461,030	1,236,370
31–60 days	419,995	396,681
61–180 days	447,277	470,942
Over 180 days	408,170	173,294
Trade and bills receivables	1,736,472	2,277,287
Less: Loss allowance	(35,277)	(24,188)
Trade and bills receivables, net	1,701,195	2,253,099

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 2022, the carrying amounts of the Group's trade and bills receivables were denominated in RMB and approximated their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Prepayments, deposits and other receivables

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current		
Prepayments for acquisition of property, plant and equipment	100,362	66,282
Current		
Prepayments for advertising and promotion expenses	224,137	222,919
Prepayments for raw materials and transportation	2,712	5,484
Other deposits and prepayments	65,198	54,609
VAT recoverable	2,230	4,060
Advances to staff	4,747	1,309
Receivables from payment intermediaries (Note)	12,970	12,313
Others	35,051	12,492
	347,045	313,186

Note:

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

As at 30 June 2022, the carrying amounts of prepayments, deposits and other receivables were denominated in RMB and approximated their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Share capital

	Number of shares	Share capital HK\$'000
Authorised ordinary shares of HK\$0.01 each:		
Unaudited		
At 1 January and 30 June 2021	10,000,000,000	100,000
Unaudited		
At 1 January and 30 June 2022	10,000,000,000	100,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
Unaudited		
At 1 January 2021	5,747,126,500	57,471
Issuance of ordinary shares upon full exercise of over-allotment option (Note (a))	112,068,500	1,120
At 30 June 2021	5,859,195,000	58,591
Unaudited		
At 1 January 2022	5,859,575,000	58,595
Issuance of ordinary shares upon exercise of share options (Note (b))	1,858,500	19
At 30 June 2022	5,861,433,500	58,614

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 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 2021	9,560,280	283,963	—	7,087	69,399	9,920,729
Issuance of ordinary shares upon over-allotment	1,473,701	—	—	—	—	1,473,701
Listing expenses charged	(29,505)	—	—	—	—	(29,505)
Share-based compensation expense	—	—	—	12,215	—	12,215
Purchase of shares held for 2021 Share Award Plan (Note (b))	—	—	(21,551)	—	—	(21,551)
Exchange translation of foreign operations	—	—	—	—	72,100	72,100
As at 30 June 2021	11,004,476	283,963	(21,551)	19,302	141,499	11,427,689
<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 translation of foreign operations	—	—	—	—	(20,832)	(20,832)
As at 30 June 2022	11,014,635	381,502	(1,849,059)	35,090	278,395	9,860,563

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 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 2022, 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\$219,915,000 (2021: HK\$21,551,000) and had been deducted from other reserves as at 30 June 2022.

19 Trade and bills payables

The aging analysis of the trade and bills payables as at 30 June 2022, based on invoice date, is as follows:

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Up to 3 months	437,246	661,633
3 to 6 months	506	—
	437,752	661,633

As at 30 June 2022, the carrying amounts of trade and bills payables were denominated in RMB and approximated their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Related party transactions

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 condensed consolidated interim financial information, the following transactions were carried out with related parties:

(a) Transactions with a related party

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Purchase of goods and raw materials from:		
Guangzhou Daoming Chemical Co., Ltd. (Note)	1,381	1,192

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) 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	
	2022	2021
	HK\$'000	HK\$'000
Salaries, bonuses, allowances and other benefits	11,128	11,040
Contributions to social security plans	203	149
Share-based compensation expense	832	1,516
	12,163	12,705

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Commitments

(a) Capital commitments

As at 30 June 2022, the Group had the following capital commitments:

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Acquisition of property, plant and equipment and intangible assets:		
– Contracted but not provided for	218,912	184,494

(b) Committed leases not yet commenced

As at 30 June 2022, the total future lease payments for leases committed but not yet commenced were payable as follow:

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Properties:		
– Within one year	–	641
– After one year but within five years	–	393
	–	1,034