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Blue Moon Group Holdings Limited

藍月亮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6993)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL SUMMARY

- Revenue increased by approximately 22.4% from HK\$2,355.4 million for the period ended 30 June 2021 to HK\$2,883.5 million for the period ended 30 June 2022.
- 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. 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.
- Loss and loss attributable to equity holders of the Company increased from approximately \$43.9 million for the six months ended 30 June 2021 to approximately HK\$148.9 million for the six months ended 30 June 2022. 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.
- The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2022.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**” or the “**Directors**”) of Blue Moon Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with comparative information, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
Revenue	5	2,883,465	2,355,401
Cost of sales	6	<u>(1,353,848)</u>	<u>(1,095,938)</u>
Gross profit		1,529,617	1,259,463
Other income and other (loss)/gains, net		(114,401)	12,224
Selling and distribution expenses	6	(1,146,783)	(916,346)
General and administrative expenses	6	(502,177)	(449,391)
Provision for impairment losses of financial assets		<u>(12,110)</u>	<u>(3,616)</u>
Operating loss		(245,854)	(97,666)
Finance income		85,280	56,490
Finance costs		<u>(7,818)</u>	<u>(18,764)</u>
Finance income, net		77,462	37,726
Loss before income tax		(168,392)	(59,940)
Income tax credit	7	<u>19,520</u>	<u>16,003</u>
Loss for the period		<u>(148,872)</u>	<u>(43,937)</u>
Loss attributable to equity holders of the Company		<u>(148,872)</u>	<u>(43,937)</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (continued)**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period		<u>(148,872)</u>	<u>(43,937)</u>
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		<u>(20,832)</u>	<u>72,100</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(20,832)</u>	<u>72,100</u>
Total comprehensive (loss)/income for the period		<u><u>(169,704)</u></u>	<u><u>28,163</u></u>
Total comprehensive (loss)/income attributable to equity holders of the Company		<u><u>(169,704)</u></u>	<u><u>28,163</u></u>
Loss per share attributable to equity holders of the Company			
Basic	8	<u><u>HK(2.65) cents</u></u>	<u><u>HK(0.75) cents</u></u>
Diluted	8	<u><u>HK(2.65) cents</u></u>	<u><u>HK(0.75) cents</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2022

		Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	10	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		15,786	—
		<u>2,510,073</u>	<u>2,325,827</u>
Current assets			
Inventories		436,541	385,968
Trade and bills receivables	11	1,701,195	2,253,099
Prepayments, deposits and other receivables		347,045	313,186
Cash and cash equivalents		8,262,498	9,233,656
		<u>10,747,279</u>	<u>12,185,909</u>
Total assets		<u><u>13,257,352</u></u>	<u><u>14,511,736</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	58,614	58,595
Other reserves		9,860,563	10,074,014
Retained earnings		1,291,757	2,213,813
Total equity		<u><u>11,210,934</u></u>	<u><u>12,346,422</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

AS AT 30 JUNE 2022

		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
		<u>264,181</u>	<u>261,426</u>
Current liabilities			
Trade and bills payables	13	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	9	773,184	—
Current income tax liabilities		58,734	266,443
Borrowings		100,000	100,000
Lease liabilities		75,590	61,291
		<u>1,782,237</u>	<u>1,903,888</u>
Total liabilities		<u>2,046,418</u>	<u>2,165,314</u>
Total equity and liabilities		<u>13,257,352</u>	<u>14,511,736</u>
Net current assets		<u>8,965,042</u>	<u>10,282,021</u>
Total assets less current liabilities		<u>11,475,115</u>	<u>12,607,848</u>

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

This 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**”).

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**”).

3 Accounting policies (continued)

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

(a) Classification (continued)

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.

(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.

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 HKFRS 17	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.

4 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.

5 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
	<u>2,883,465</u>	<u>2,355,401</u>

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.

6 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 10)	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
	<u>3,002,808</u>	<u>2,461,675</u>

7 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)	<u>132,819</u>	<u>(671)</u>
Income tax credit	<u><u>19,520</u></u>	<u><u>16,003</u></u>

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.

8 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 (as defined below) 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 (<i>HK\$'000</i>)	(148,872)	(43,937)
Weighted number of ordinary shares in issue less shares held under the 2021 Share Award Plan (as defined below) during the period (<i>'000</i>)	5,617,803	5,852,915
Basic loss per share (HK cent per share)	<u>(2.65)</u>	<u>(0.75)</u>

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.

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 defined below) 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.

9 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).

10 Property, plant and equipment

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction- in-progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>(Unaudited)</i>							
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	<u>928,882</u>	<u>—</u>	<u>315,954</u>	<u>69,567</u>	<u>10,162</u>	<u>99,465</u>	<u>1,424,030</u>
As at 30 June 2021							
Cost	1,080,518	11,906	723,441	185,172	26,586	99,465	2,127,088
Accumulated depreciation	<u>(151,636)</u>	<u>(11,906)</u>	<u>(407,487)</u>	<u>(115,605)</u>	<u>(16,424)</u>	<u>—</u>	<u>(703,058)</u>
Net book amount	<u>928,882</u>	<u>—</u>	<u>315,954</u>	<u>69,567</u>	<u>10,162</u>	<u>99,465</u>	<u>1,424,030</u>
<i>(Unaudited)</i>							
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	<u>1,032,956</u>	<u>1,944</u>	<u>288,293</u>	<u>84,995</u>	<u>11,073</u>	<u>90,764</u>	<u>1,510,025</u>
As at 30 June 2022							
Cost	1,209,158	13,398	728,099	207,404	27,690	90,764	2,276,513
Accumulated depreciation	<u>(176,202)</u>	<u>(11,454)</u>	<u>(439,806)</u>	<u>(122,409)</u>	<u>(16,617)</u>	<u>—</u>	<u>(766,488)</u>
Net book amount	<u>1,032,956</u>	<u>1,944</u>	<u>288,293</u>	<u>84,995</u>	<u>11,073</u>	<u>90,764</u>	<u>1,510,025</u>

11 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
	<hr/>	<hr/>
Trade and bills receivables	1,736,472	2,277,287
Less: Loss allowance	(35,277)	(24,188)
	<hr/>	<hr/>
Trade and bills receivables, net	<u>1,701,195</u>	<u>2,253,099</u>

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.

12 Share capital

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

12 Share capital (continued)

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.

13 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 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
Up to 3 months	437,246	661,633
3 to 6 months	506	—
	<u>437,752</u>	<u>661,633</u>

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

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)

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.

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.

* For identification purpose only

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.

Note:

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

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.

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				Change (%)
	2022		2021		
	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	<u>2,883,465</u>	<u>100.0</u>	<u>2,355,401</u>	<u>100.0</u>	<u>22.4</u>

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% 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	Total	Revenue	Total	
	HK\$'000	(%)	HK\$'000	(%)	
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	<u>2,883,465</u>	<u>100.0</u>	<u>2,355,401</u>	<u>100.0</u>	<u>22.4</u>

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.

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, 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 shares held for the 2021 Share Award Plan (as defined below).

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).

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.

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.

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, acquisitions and disposals during the six months ended 30 June 2022.

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.

HUMAN RESOURCES

The Group had approximately 8,190 employees as at 30 June 2022. Salaries of employees are maintained at competitive levels.

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.

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).

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.

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;
- 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code during the six months ended 30 June 2022.

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 announcement, the Company has maintained the prescribed minimum public float permitted by the Stock Exchange.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Shares of the Company in December 2020 (together with the issuance of Shares pursuant to the full exercise of the Over-allotment Option (as defined in the Prospectus) in January 2021), after deducting the underwriting commission and other estimated expenses, of HK\$11,004 million have been 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 six months ended 30 June 2022 Utilised amount approximately HK\$ million	As at 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bluemoon.com.cn), respectively. The interim report of the Company will be despatched to the Shareholders in due course and will be published on the websites of the Stock Exchange and the Company, respectively.

By Order of the Board
Blue Moon Group Holdings Limited
PAN Dong
Chairman & Executive Director

Hong Kong, 25 August 2022

As at the date of this announcement, the Board of Directors of the Company comprises Ms. PAN Dong, Mr. LUO Qiuping, Ms. LUO Dong, Mr. POON Kwok Leung and Ms. XIAO Haishan as Executive Directors; Mr. CAO Wei as Non-executive Director; and Mr. Bruno Robert MERCIER, Ms. NGAN Edith Manling and Mr. HU Yebi as Independent non-executive Directors.