



# 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>

## Auditor

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

## Legal Advisers

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

## Compliance Adviser

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

## Principal Share Registrar and Transfer Agent in the Cayman Islands

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## Hong Kong Share Registrar

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong





# Financial Highlights

## Key Financial Information and Financial Ratios

Key Financial Information	2022	2021
	HK\$'000	HK\$'000
Revenue	7,946,733	7,597,481
Gross profit	4,595,441	4,438,798
Profit before income tax	838,057	1,271,011
Profit for the year/Profit attributable to equity holders of the Company	611,366	1,014,415
Adjusted profit for the year <sup>(Note 1)</sup>	767,389	949,920
EBITDA <sup>(Note 2)</sup>	1,100,165	1,521,507
Adjusted EBITDA <sup>(Note 3)</sup>	1,256,188	1,457,012
Earnings per share (HK cents) <sup>(Note 4)</sup>		
Basic	10.92	17.49
Diluted	10.87	17.39
Dividend per share (HK cents)		
Final	16.80	13.80
<b>Key Financial Ratio</b>		
Gross profit margin	57.8%	58.4%
Net profit margin	7.7%	13.4%
Current ratio	7.3	6.4
Return on equity	5.2%	8.4%
Return on assets	4.5%	6.7%
Dividend payout ratio	153.0%	76.2%

### Notes:

- The adjusted profit for the year is a non-HKFRS financial measure and is calculated as the profit for the year excluding net foreign exchange losses of HK\$156.0 million (2021: net foreign exchange gains of HK\$64.5 million). Please see section headed "Adjusted Profit for the Year, EBITDA, Adjusted EBITDA and Adjusted Earnings Per Share" for details.
- EBITDA is a non-HKFRS financial measure and is calculated as earnings before interest expenses, taxation, depreciation and amortisation. Please see section headed "Adjusted Profit for the Year, EBITDA, Adjusted EBITDA and Adjusted Earnings Per Share" for details.
- The adjusted EBITDA is a non-HKFRS financial measure and is calculated as EBITDA excluding net foreign exchange losses of HK\$156.0 million (2021: net foreign exchange gains of HK\$64.5 million). Please see section headed "Adjusted Profit for the Year, EBITDA, Adjusted EBITDA and Adjusted Earnings Per Share" for details.
- Basic earnings per share is calculated by dividing profit attributable to Blue Moon Group Holdings Limited's (the "Company") equity holders by the weighted average number of ordinary shares of the Company in issue.



## Analysis of revenue of the Group by products

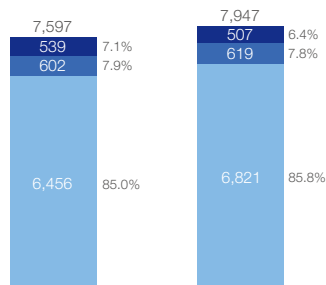
Revenue by products	2022		2021	
	HK\$'000	%	HK\$'000	%
Fabric care products	6,821,397	85.8	6,456,510	85.0
Personal hygiene products	619,015	7.8	601,814	7.9
Home care products	506,321	6.4	539,157	7.1
<b>Total</b>	<b>7,946,733</b>	<b>100.0</b>	<b>7,597,481</b>	<b>100.0</b>

## Analysis of revenue of the Group by channels

Revenue by channels	2022		2021	
	HK\$'000	%	HK\$'000	%
Online sales channels	3,756,951	47.3	3,806,065	50.1
Offline distributors	3,252,591	40.9	2,717,730	35.8
Direct sales to key account clients	937,191	11.8	1,073,686	14.1
<b>Total</b>	<b>7,946,733</b>	<b>100.0</b>	<b>7,597,481</b>	<b>100.0</b>

### Revenue Breakdown by Products

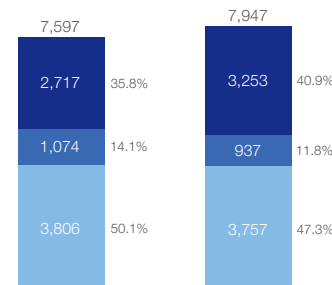
(HK\$ mm)



■ Fabric care products ■ Personal hygiene products ■ Home care products

### Revenue Breakdown by Channels

(HK\$ mm)



■ Online sales channel ■ Direct Sales to key account clients ■ Offline distributors



# Production Bases

As at 31 December 2022, the Company and its subsidiaries (together, the “Group”) had four production bases located in Guangzhou, Tianjin, Kunshan, and Chongqing of the People’s Republic of China (the “PRC”). The map below illustrates the geographic coverage of the Group’s production bases in the PRC as at 31 December 2022.







# Company Products

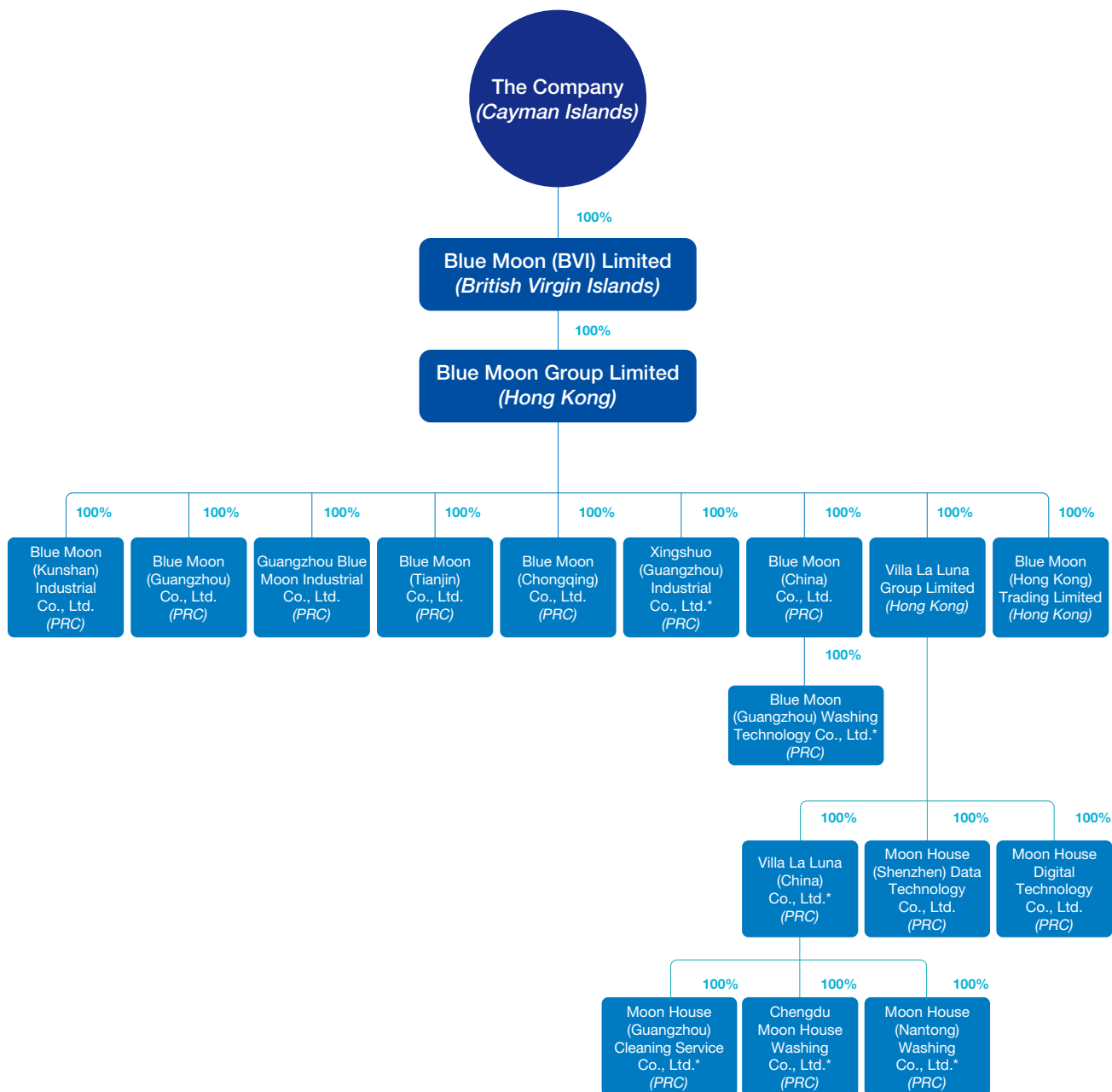
The following illustration demonstrates the coverage of the Group's product portfolio:





# Corporate Structure

The corporate structure of the Group is as follows:



\* For identification purposes only



# Letter to the Shareholders

Dear Shareholders,

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

In the past year, the combined effect of increasing downward pressure on the world economy, the complex and volatile international geopolitics, the spread of COVID-19 and the domestic pandemic containment has caused the raw material prices to stay at a high level and the supply chain to face various severe challenges. Against a complicated backdrop, the Group has improved its quality and efficiency by adopting various measures such as enhancing the level of digitalization and strengthening supplier management. We have continued to launch new products and improve cleaning plans in various scenarios in accordance with its established directions and policies and promote channel innovation and reform, to proactively respond to challenges with a variety of initiatives to achieve steady development and growth.

According to the statistics from China General Chamber of Commerce (中國商業聯合會) and China National Commercial Information Center (中華全國商業信息中心), Blue Moon's liquid laundry detergent and liquid soap each had the largest comprehensive market share in their industry categories for 13 consecutive years from 2009 to 2021 and for 10 consecutive years from 2012 to 2021, respectively. According to the China brand power index and analysis report published by Chnbrand, Blue Moon's liquid laundry detergent and liquid soap ranked first in brand power index for 12 consecutive years from 2011 to 2022.

## Improving a complete household cleaning solution based on expert strategy

As a professional household cleaning solution provider in China, we are deeply aware of cleaning problems faced by consumers based on our expert strategy. As a result, we continued to adhere to technological innovation and to improve our comprehensive household cleaning solution.

In recent years, with the further implementation of the national strategy of fitness for all, there has been an upsurge of the popularity of national sports in China. We are aware of the issue of sweat in sportswear. Therefore, through cross-research in microbiology, chemistry, textile and other disciplines, we have successfully developed a sportswear liquid laundry detergent, which can remove and reduce the sweaty smell of clothes. In addition, we have also introduced men's underwear liquid laundry detergent to further meet consumers' diversified laundry needs.

We also provide consumers with services such as household deep washing, difficult-to-clean washing and other services. We also provide customised cleaning solutions, continuously expand our services and successfully gain long-term trust from consumers by comprehensively meeting users' cleaning needs.



## Letter to the Shareholders

### Deepen channel reform and consolidate omni-channel distribution network

In 2022, the Group continued to implement multi-level and multi-dimensional omni-channel strategy. We maintained a leading position in online channels and refined the business layout of emerging channels; meanwhile, we continued to consolidate its offline omni-channel distribution network and increase product penetration.

In 2022, Blue Moon ranked first in terms of sales volume among fabric care product brands on JD.com, a mainstream e-commerce platform, and ranked first on a number of other major e-commerce platforms during “618 Shopping Festival”; During the “Double 11 shopping festival”, Blue Moon ranked first in sales of laundry cleaning category on JD.com and also ranked first on Douyin(抖音) in both the lists of sales of laundry cleaning brands and sales in store.

We continued to deepen our cooperation with O2O platforms, ranking first in the category of household care on Meituan Shangou (美團閃購) and JD Daojia (京東到家), and the market share on the platforms continued to increase.

We firmly implemented and continued to deepen our transformation strategy since 2021 to promote the balanced development of our omni-channels. In 2022, the expansion of county areas and deepening of channels to the lower-tier market continued to be the core tasks of the Group. The overall development strategy of distributors continued to focus on penetrating into the lower-tier market. In 2022, the number of our distributors and terminal stores continued to increase, and our products continued to penetrate into the lower-tier cities. At present, the proportion of online and offline sales of the Group tends to be 50:50, and the reform has achieved remarkable results, laying a solid foundation for the development of the Group.

### Fulfilling social responsibility and focusing on sustainable development

Under the Environmental, Social and Governance action principle of “better products (services), healthier environment and greater society”, we adhere to the green and low-carbon development strategy, and implement the green and low-carbon concept throughout the entire process of product research and development, manufacturing, packaging, distribution, etc., to promote the sustainable development of the industry with practical actions.

As of 31 December 2022, over 90% of Blue Moon’s products has passed the certification of China Environment Labeling, 11 products obtained China Water Conservation Certification and 28 products obtained “China Green Product” certification. We adhere to the concept of green and low-carbon production and operation, and actively practice clean production. The Chongqing factory was awarded the “Water Efficiency Leader” (水效領跑者) enterprise in Chongqing and the “Health Enterprise in Chongqing” (重慶市健康企業).



At the same time, based on our own advanced experience in building a national “Green Factory”, we continued to play a leading and exemplary role in the industry, actively promoted the construction of green manufacturing standard system in the detergent industry, deeply participated in the formulation of the industry standard “Evaluation Requirements for Green Factory in the Detergent Manufacturing Industry”, which will fill the gap in this field, provide a unified technical specification for green manufacturing and enterprise evaluation for the detergent manufacturing industry, and help to build a benchmark for the green manufacturing system in the detergent industry, guiding and standardizing the green development of the cleaning industry.

We continue to stay in tune with the development of society by actively participating in various public welfare activities. While spreading the concept of cleanliness and health, we continue to contribute to the corporate strength in aspects such as caring for women and children, fighting against the epidemic and disaster relief, and supporting cultural and sports undertakings. Thanks to our long-term and effective practice of social responsibility, we were awarded the “Responsible Brand for the Year” (年度責任品牌獎) by China Charity Festival Organizing Committee (中國公益節組委會) for 8 consecutive years.

In the new year, with the full easing of the pandemic prevention and control in China in early 2023, the consumer markets in various regions have gradually recovered, and the economy has shown a strong recovery momentum. We are also confident in the cleaning market in China and the Group’s business operations. The Group will continue to develop and innovate in products, channels and marketing to provide customers with safer and more efficient products and high-quality services, so that more families can enjoy the clean and worry-free lifestyle during their lives.

Lastly, I would like to express my sincere gratitude for your support to Blue Moon. It is my sincerest wish that we will continue to work together to create a better future!

**PAN Dong**

*Chairman*

Hong Kong, 28 March 2023

**LUO Qiuping**

*Chief Executive Officer*



# Management Discussion and Analysis

## Business Review

The Group continued to focus on its business strategies relating to product innovation, deepening reform on distribution channels and enhancing brand recognition and awareness in 2022.

Focusing on the development of laundry detergents for sportswear in 2022, the Group has continued to diversify its product portfolio by introducing products with new features and functions in 2022 which have enjoyed popular demand. Such new products include a new liquid laundry detergent of a sportswear series and a men's underwear liquid laundry detergent.

The Group recorded a year-on-year increase in its revenue by approximately 7.7% in RMB terms<sup>(Note)</sup> in 2022, which was mainly attributable to the strong growth in offline sales, driven by continuous reform of sales and distribution channels and the popularity of its new products. In the fourth quarter of 2022, the Group has ramped up its production capacity to near maximum levels to meet the increased demand for disinfectant products during the COVID-19 pandemic. However, in the end of 2022 a lot of offline stores were closed and there was severe logistic delay due to the escalation of COVID-19 infections in various regions of the PRC. In spite of the above, the Group utilised its supply chain management, pricing as well as marketing strategies to partially offset such impact of the Group.

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 liquid soap have ranked first in the China Brand Power Index for 12 consecutive years (2011–2022)<sup>1</sup>. Its liquid laundry detergent and liquid soap have ranked first in the comprehensive market share among similar products for 13 consecutive years (2009–2021) and 10 consecutive years (2012–2021)<sup>2</sup>, respectively. These awards demonstrated the strength of the brand of the Group and provided much opportunities for its development.

## 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.

Note:

The revenue in RMB for 2022 were calculated at the average exchange rate of 1.17129 while the 2021 comparative revenue in RMB were calculated at the average exchange rate of 1.20560. The RMB equivalent is for reference only.

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)



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 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 2022. As an upgrade of liquid soap product, the Group introduced a 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 2022. The COVID-19 pandemic has profoundly changed consumers' offline shopping behavior. Affected by the ongoing COVID-19 infection control measures, consumers tend to make consumption choices based on geographical proximity of the retailers or outlets, prompting a general increase in revenue of small to medium size businesses. In view of such, the Group continued to expand the geographical coverage of its sales and distribution channel to cover 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. The Group has started to manage its point of sales by category and focused on selling different products according to the type of stores.

In 2022, the Group has maintained its leadership on O2O platforms in China in respect of sales of household care and fabric care products. The Group ranked first in the category of household care on Meituan Shangou (美團閃購) and JD Daojia (京東到家). The Group's ranking in the category of liquid laundry detergent rose to the first place on Meituan Shangou (美團閃購), JD Daojia (京東到家) and Ele.me (餓了麼) and recorded significant growth in terms of market share on several O2O platforms.

The outbreak of COVID-19 has continued to affect the operation of the Group in China in 2022. The Group's sales in China were affected by the COVID-19 infection control measures adopted in various regions in China. Most offline stores were closed and logistics and distribution were temporarily stagnant in some affected regions, resulting in an increase in logistic costs. The Group has adopted a number of measures in order to reduce the impact of the COVID-19 pandemic, including reorganising its sales and marketing team to enhance efficiency and reduce costs, expanding sales and distribution channels to acquire new customers and restructuring its product portfolio.



# Management Discussion and Analysis

## *Online Business*

In 2022, the Group's products have continued to receive wide popularity and recognition from online consumers and have maintained its top rankings on platforms such as JD.com and other major e-commerce platforms, while the Group has ranked first in sales volume on several online platforms during the "618 Shopping Festival". To further enhance its presence in new and emerging online sales and distribution channels, the Group has optimised the product portfolio and sale and marketing strategies on live streaming platforms, where the Group has achieved increased sales in Douyin (抖音) and Kuaishou (快手).

## **Outlook, Future Prospects and Strategies**

In 2023, the Group will continue to leverage its advantages and leadership in the industry to continue to provide excellent products and services to its consumers and pioneer the innovation and development of the industry. Anticipating a reduction in raw material prices and economic recovery post COVID-19, the Group intends to:

- upgrade and restructure its product offerings to focus on offering premium products with higher gross profit margin, and to diversify and launch products across three product categories;
- further strengthen its omni-channel distribution network (both online and offline channels) and increase product penetration to reach out to a wider customer base through:
  - (i) promoting all-round product development and utilising and enhancing synergies and coordination between different sales and distribution channels;
  - (ii) strengthening its partnership with major e-commerce platforms and increasing its presence in new and emerging platforms, including live streaming e-commerce and fresh food e-commerce platforms with emphasis on promoting its new products;
  - (iii) optimising its offline distribution network through broadening and deepening its offline distribution network;
  - (iv) managing product offerings in its offline distribution network according to product categorisation;
  - (v) improving membership programmes and enhancing the understanding of end-consumers.
- provide more customised services to customers through offering a wide variety of products and improving consumer experience;





- accelerate digitalisation and upgrade manufacturing network to further improve operational efficiency;
- adhere to low-carbon and sustainable development principles.

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. The Group will closely follow the needs of consumers, continue to innovate, and promote its long-term development.

## Financial Review

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$7,946.7 million, which represent an increase of approximately 4.6% in HK\$ terms as compared to approximately HK\$7,597.5 million for the year ended 31 December 2021. Adjusted EBITDA<sup>Note</sup> decreased by 13.8% from approximately HK\$1,457.0 million for the year ended 31 December 2021 to approximately HK\$1,256.2 million for the year ended 31 December 2022.

### Revenue

For the year ended 31 December 2022, the Group recorded revenue of approximately HK\$7,946.7 million, which represents an increase of approximately 4.6% as compared to approximately HK\$7,597.5 million for the year ended 31 December 2021. The increase in revenue of the Group for the year ended 31 December 2022 was partially offset by the depreciation of RMB against HK\$, which is the presentation currency of the Group. As a result, the increase in the Group's revenue in HK\$ terms of approximately 4.6% is smaller than that in RMB terms of approximately 7.7%. The increase in revenue was primarily due to the Group's offline channels reform and the popularity of its new products.

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

	Year ended 31 December				
	2022		2021		Change
	Revenue	Total	Revenue	Total	
	HK\$'000	(%)	HK\$'000	(%)	(%)
Fabric care products	6,821,397	85.8	6,456,510	85.0	5.7
Personal hygiene products	619,015	7.8	601,814	7.9	2.9
Home care products	506,321	6.4	539,157	7.1	(6.1)
<b>Total</b>	<b>7,946,733</b>	<b>100.0</b>	<b>7,597,481</b>	<b>100.0</b>	<b>4.6</b>

Note:

The adjusted EBITDA is a non-HKFRS financial measure and is calculated as the EBITDA excluding net foreign exchange losses of HK\$156.0 million (2021: net foreign exchange gains of HK\$64.5 million). Please see section headed "Adjusted Profit for the Year, EBITDA, Adjusted EBITDA and Adjusted Earnings Per Share" for details.



## Management Discussion and Analysis

The Group recorded an approximately 5.7% increase in sales of fabric care products from approximately HK\$6,456.5 million for the year ended 31 December 2021 to approximately HK\$6,821.4 million. Such increase is mainly contributed by the increase in sales of classic products through higher penetration into offline channels and the increase in sales of new products launched since 2021, including underwear laundry detergent, bacterial and odour removal laundry detergent and sportswear laundry detergent. The sales of personal hygiene products remained stable as compared to the year ended 31 December 2021. The sales of home care products decreased mainly due to depreciation of RMB in 2022, while the sales remained stable in RMB terms compared to the year ended 31 December 2021.

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

	Year ended 31 December				
	2022		2021		Change (%)
	Revenue HK\$'000	Total (%)	Revenue HK\$'000	Total (%)	
Online sales channels	3,756,951	47.3	3,806,065	50.1	(1.3)
Offline distributors	3,252,591	40.9	2,717,730	35.8	19.7
Direct sales to key account clients	937,191	11.8	1,073,686	14.1	(12.7)
<b>Total</b>	<b>7,946,733</b>	<b>100.0</b>	<b>7,597,481</b>	<b>100.0</b>	<b>4.6</b>

The sales via online sales channels remained stable in RMB terms as compared to the year ended 31 December 2021. The sales via offline distributors increased by approximately 19.7% in the year ended 31 December 2022 compared to the year ended 31 December 2021 due to the optimisation and expansion of its offline distribution network, while the sales via direct sales to key account clients decreased by approximately 12.7% for the year ended 31 December 2022 as compared to the year ended 31 December 2021, primarily due to significant decrease in sales in December 2022 since most offline stores were closed due to the escalation of COVID-19 infections in certain regions of China.

### Cost of Sales

Cost of sales increased by approximately 6.1% to approximately HK\$3,351.3 million for the year ended 31 December 2022 as compared to approximately HK\$3,158.7 million for the year ended 31 December 2021. The percentage of increase in cost of sales slightly exceeds that of the sales, primarily due to higher cost of major raw materials consumed.

### Gross Profit

The Group's gross profit increased by approximately 3.5% to approximately HK\$4,595.4 million for the year ended 31 December 2022 as compared to approximately HK\$4,438.8 million for the year ended 31 December 2021. The gross profit margin remained relatively stable at approximately 57.8% for the year ended 31 December 2022 as compared to approximately 58.4% for the year ended 31 December 2021.



### **Other Income and Other Losses/(Gains), Net**

The Group recorded other income and other losses, net of approximately HK\$100.1 million for the year ended 31 December 2022 compared to other income and other gains, net of approximately HK\$92.9 million for the year ended 31 December 2021, primarily due to net foreign exchange loss recognised during the year as opposed to net foreign exchange gain recognised in the year ended 31 December 2021. The net foreign exchange impact of the Group is mainly arising from the fluctuation of offshore RMB denominated bank deposits held by the Group against the USD and HK\$ during 2021 and 2022.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by approximately 10.8% from approximately HK\$2,392.0 million for the year ended 31 December 2021 to approximately HK\$2,651.0 million for the year ended 31 December 2022, primarily due to increase in staff cost as a result of increased sales headcount to support the expansion of offline distribution channel. Selling and distribution expenses as a percentage of sales increased from approximately 31.5% for the year ended 31 December 2021 to approximately 33.4% for the year ended 31 December 2022. The increase is mainly due to impact of COVID-19 restrictions on the mobility of sales staff during the year.

### **General and Administrative Expenses**

General and administrative expenses increased by approximately 13.3% from approximately HK\$978.3 million for the year ended 31 December 2021 to approximately HK\$1,108.6 million for the year ended 31 December 2022, primarily due to increase in staff cost as a result of increase in administrative headcount as well as increase in depreciation expenses, management fees and other costs related to certain new lease contracts.

### **Provision for impairment losses of financial assets**

Additional provision for impairment losses of financial assets amounted to approximately HK\$66.9 million was provided for the year, primarily due to increase of credit risk of certain customers and deterioration of aging profiles of trade receivables.

### **Operating Profit**

As a result of the foregoing, the Group's operating profit decreased by approximately 41.8% from approximately HK\$1,149.8 million for the year ended 31 December 2021 to approximately HK\$668.9 million for the year ended 31 December 2022.

### **Finance Income and Costs**

Finance income increased by approximately 26.0% from approximately HK\$141.9 million for the year ended 31 December 2021 to approximately HK\$178.8 million for the year ended 31 December 2022, due to increase in short-term deposit placed and increase of USD fixed deposit rate during the year.



# Management Discussion and Analysis

Finance costs decreased by approximately 53.6% from approximately HK\$20.7 million for the year ended 31 December 2021 to approximately HK\$9.6 million for the year ended 31 December 2022, primarily due to reduction of interest expenses as a result of repayment of bank loan during the first half of the year.

## Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax decreased by approximately 34.1% from approximately HK\$1,271.0 million for the year ended 31 December 2021 to approximately HK\$838.1 million for the year ended 31 December 2022.

## Income Tax Expense

The Group's income tax expense decreased by approximately 11.7% from approximately HK\$256.6 million for the year ended 31 December 2021 to approximately HK\$226.7 million for the year ended 31 December 2022, primarily due to the decrease in profit before income tax partially offset by impact of non-deductible exchange loss arising from the RMB denominated bank deposit.

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

The Group's profit as well as the profit attributable to equity holders of the Company decreased by approximately 39.7% from approximately HK\$1,014.4 million for the year ended 31 December 2021 to approximately HK\$611.4 million for the year ended 31 December 2022. Majority proportion of such decrease is attributable to the net foreign exchange loss recognised during the year as explained under the paragraph headed "Other Income and Other Losses/(Gains), Net", and increase in cost of sales, selling and distribution expenses, general and administrative expenses as explained in the paragraphs headed "Cost of Sales", "Selling and Distribution Expenses" and "General and Administrative Expenses". Additional provision for impairment losses related to certain customers also contributed, to a lesser extent, to such decrease.

## Basic and Diluted Earnings Per Share

Earnings per share (basic and diluted) for the year ended 31 December 2022 was approximately HK10.92 cents and HK10.87 cents respectively, while the adjusted earnings per share<sup>Note</sup> (basic and diluted) for the year ended 31 December 2022 was approximately HK13.70 cents and HK13.65 cents respectively.

Note:

The adjusted earnings per share is a non-HKFRS financial measure and is calculated by dividing adjusted profit for the year by the weighted average number of shares used in the basic earnings per share and diluted earnings per share, respectively. Please see section headed "Adjusted Profit for the Year, EBITDA, Adjusted EBITDA and Adjusted Earnings Per Share" for details.



### Adjusted Profit for the Year, EBITDA, Adjusted EBITDA, and Adjusted Earnings Per Share

The adjusted profit for the year is calculated as the profit for the year excluding net foreign exchange (losses)/gains. EBITDA is calculated as earnings before interest expenses, taxation, depreciation and amortisation. The adjusted EBITDA is calculated as EBITDA excluding net foreign exchange (losses)/gains. The adjusted earnings per share is calculated by dividing adjusted profit for the year by the weighted average number of shares used in the basic earnings per share and diluted earnings per share, respectively.

The table below sets forth the reconciliation of non-HKFRS measures for the year ended 31 December 2022 and 31 December 2021:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	611,366	1,014,415
Less:		
Net foreign exchange (losses)/gains	(156,023)	64,495
Adjusted profit for the year	767,389	949,920
Profit for the year	611,366	1,014,415
Less:		
Finance costs	(9,584)	(20,739)
Income tax expenses	(226,691)	(256,596)
Depreciation of property, plant and equipment	(133,130)	(131,558)
Depreciation of right-of-use assets	(85,476)	(65,786)
Amortisation of intangible assets	(33,918)	(32,413)
EBITDA	1,100,165	1,521,507
Less:		
Net foreign exchange (losses)/gains	(156,023)	64,495
Adjusted EBITDA	1,256,188	1,457,012
Earnings per share		
Basic	HK10.92 cents	HK17.49 cents
Diluted	HK10.87 cents	HK17.39 cents
Adjusted earnings per share		
Basic	HK13.70 cents	HK16.38 cents
Diluted	HK13.65 cents	HK16.28 cents



## Management Discussion and Analysis

The Group adopted the non-HKFRS financial measures as a significant portion of decrease in profit for the year is attributable to the changes of net foreign exchange differences, which does not arise from the principal business operations of the Group. The foreign exchange differences changed from net foreign exchange gains of approximately HK\$64.5 million for the year ended 31 December 2021 to net foreign exchange losses of approximately HK\$156.0 million for the year ended 31 December 2022, which primarily arise from the depreciation of offshore RMB denominated bank deposits held by the Group against the USD during the year ended 31 December 2022. In view of such, unaudited adjusted profit for the year, EBITDA, adjusted EBITDA and adjusted earnings per share are used as additional financial measures to evaluate the financial performance of the Group by eliminating the potential impact of foreign exchange losses/(gains) which the Group consider to be non-indicative of the performance of the business of the Group and to supplement the consolidated financial statements which are presented in accordance with HKFRS.

The above unaudited non-HKFRS financial measure has limitation as an analytical tool, and should be considered in addition to, not as a substitute for, the analysis of the Company's financial performance prepared in accordance with HKFRS. This non-HKFRS financial measure does not have a standardised meaning prescribed by the Group's Generally Accepted Accounting Principles and may be defined differently from similar terms used by other companies. Hence this non-HKFRS financial measure may not be comparable to similar measures presented by other companies. The Group's presentation of this non-HKFRS financial measure should not be construed as an inference that these items will not affect the future results.

### Liquidity and Financial Resources

As at 31 December 2022, the total bank deposits and cash of the Group, comprising the Group's cash and cash equivalents, amounted to approximately HK\$7,702.4 million, a decrease of approximately HK\$1,531.3 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 2021 final dividend and purchase of shares held for the 2021 Share Award Plan.

As at 31 December 2022, the net current assets of the Group were approximately HK\$8,948.5 million (31 December 2021: approximately HK\$10,282.0 million). The Group's current ratio (current assets/current liabilities) was approximately 7.27 times (31 December 2021: approximately 6.40 times).

As at 31 December 2022, the Group had no borrowings (31 December 2021: HK\$100 million).

Gearing ratio is not applicable as at 31 December 2022 which is calculated using total bank borrowings divided by total equity as there was no borrowings as at 31 December 2022 (31 December 2021: 0.8%)

### Capital Expenditure and Capital Commitment

During the year ended 31 December 2022, the capital expenditure of the Group was approximately HK\$285.1 million, which was primarily used to finance the Group's production capacity expansion for its existing production base.



As at 31 December 2022, the capital commitment of the Group amounted to approximately HK\$91.1 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 31 December 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 RMB denominated bank deposits held by the Group against the 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 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 31 December 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 year ended 31 December 2022.

### **Future Plan for Material Investments or Capital Assets**

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



## Awards

The Group has received numerous awards and recognitions in recognition of its brand, business operations, products and corporate social responsibility achievements. Depicted below is a summary of significant awards and recognitions that the Group has received during the year ended 31 December 2022:

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

Ranking first in China Brand Power Index in liquid laundry detergent and liquid soap for 12 consecutive years 2011–2022 (洗衣液、洗手液品牌於中國品牌力指數 C-BPI 中連續 12 年 (2011–2022) 第一名)



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

Liquid Laundry Detergent & Liquid Soap ranked first in the comprehensive market share of similar products for 13 consecutive years (2009–2021) and 10 consecutive years (2012–2021) (洗衣液及洗手液分別連續 13 年 (2009–2021) 及連續 10 年 (2012–2021) 榮列同類產品市場綜合佔有率第一位)

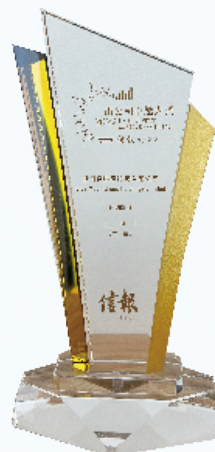
### Economic Digest (經濟一週)

Hong Kong Outstanding Listed Enterprises 2022 — Outstanding Consumer Brand Award (香港傑出上市企業 2022 — 傑出消費品牌)



### Hong Kong Economic Journal (信報財經新聞)

Listed Company Awards of Excellence 2022 (上市公司卓越大獎 2022)

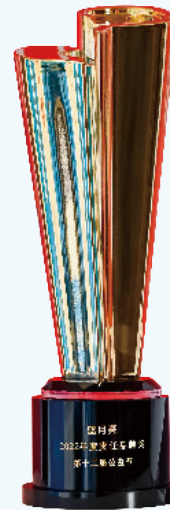






○ **China Charity Festival Organizing Committee**  
(中國公益節組委會)

the Responsible Brand of the Year (年度責任品牌獎)



○ **Ministry of Industry and Information Technology of China**  
(國家工業和信息化部)

Blue Moon (Tianjin) Co., Ltd. rated as a national “Green Factory” (藍月亮(天津)有限公司獲評國家級「綠色工廠」)

○ **The Hong Kong Council of Social Service**  
(香港社會服務聯會)

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





# Management Discussion and Analysis

## Research and Development

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

The Group established its Research and Development Technology Centre since the inception of its operation and the Blue Moon Applied Sciences and Laundry Academy dedicated to the development and assessment of laundry products and methods in 2015. As at 31 December 2022, the Group had obtained a total of 919 registered trademarks, 241 patents and 229 copyrights in China.

## Human Resources

The Group had approximately 9,025 employees as at 31 December 2022. Salaries of employees are maintained at competitive levels. In recognition of the contribution by our employees to the Group, the Group has in place the Pre-IPO Share Option Scheme. The Board of Directors of the Company (the "**Board**") has also adopted the 2021 Share Award Plan and the 2022 Share Award Plan (as defined below) on 3 June 2021 and 29 March 2022 respectively. Further details are set out under the "Report of the Directors" section on pages 25 to 48 of this report.



# Report of the Directors

The board of directors of the Company (the “**Board**”) is pleased to submit their report together with the audited financial statements for the year ended 31 December 2022. All references in this section to other sections, parts of or notes in this report, form part of this Report of the Directors section.

## Principal Activities

The Company and its subsidiaries are principally engaged in the design, research, development, manufacture and sale of (i) personal hygiene products, (ii) home care products, and (iii) fabric care products in China. The principal activities and other particulars of the principal subsidiaries of the Group are set out in note 14 to the consolidated financial statements.

## Business Review

A fair review of the business of the Group, a discussion and analysis of the Group’s performance during the year, the material factors underlying its results and the Group’s financial position are provided in the “Management Discussion and Analysis” section on pages 12 to 24 of this report.

A description of the principal risks and uncertainties that the Company may be facing, and the future development of the Group’s business are discussed in the “Management Discussion and Analysis” section on pages 12 to 24 of this report.

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

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

These discussions form part of this Report of the Directors.

## Results and Dividends

The results of the Group for the year ended 31 December 2022 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 77 to 155.

As at 31 December 2021, the dividend payable represented dividend declared in 2021 but not yet settled, which was fully settled by the Company during the year ended 31 December 2022.

The Board recommended the payment of a final dividend for the year ended 31 December 2022 of HK16.8 cents per ordinary share, totalling HK\$935.7 million.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.



# Report of the Directors

## Annual General Meeting and Closure of Register of Members

The annual general meeting of the Company (“AGM”) will be held on Friday, 16 June 2023. The notice of AGM will be sent to the shareholders of the Company (the “Shareholders”) on Friday, 28 April 2023.

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

- (a) For the purpose of ascertaining the Shareholder’s eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both days inclusive. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 12 June 2023.
- (b) The final dividend will be payable on or about Friday, 28 July 2023 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023. For the purpose of ascertaining Shareholder’s eligibility for the final dividend, the register of members of the Company will be closed from Friday, 23 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which period no transfer of ordinary share(s) in the share capital of the Company with a par value of HK\$0.01 each (the “Shares”) will be registered. In order to qualify for the above mentioned final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 pm on Wednesday, 21 June 2023.

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

## Financial Summary

The financial summary of the Group is set out on page 156 of this report. The summary does not form part of the audited financial statements.

## Share Capital

The Company had 5,862,116,906 Shares in issue as at 31 December 2022. Details of the movements in the Shares during the year are set out in note 23 to the consolidated financial statements.

## Shares Issued

During the year, as a result of the exercise of share options under the Pre-IPO Share Option Scheme, a total of 2,541,906 fully paid shares of the Company were issued for a total consideration of HK\$9,558,000. Details of the shares issued during the year are set out in note 23 to the consolidated financial statements.



## Debenture Issued

The Group did not issue any debenture for the year ended 31 December 2022.

## Distributable Reserves

As at 31 December 2022, distributable reserves of the Company amounted to approximately HK\$9,996.9 million (2021: HK\$10,400.1 million). The movements in distributable reserves during the year are set out in note 35 to the consolidated financial statements.

## Charitable Donations

The Group's external charitable donations for the year ended 31 December 2022 amounted to approximately HK\$17.8 million.

## Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of HK\$243.2 million (2021: HK\$284.7 million). Details of the movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

## Borrowings

As at 31 December 2022, the Group had no borrowings (31 December 2021: HK\$100.0 million). Particulars of borrowings of the Group as at 31 December 2022 are set out in note 30 to the consolidated financial statements.

## Major Customers and Suppliers

The percentage of the five largest customers combined is less than 30% of the Group's total revenue.

Purchases from the Group's five largest suppliers accounted for approximately 40.7% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 10.5% of the Group's total purchases for the year.

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



# Report of the Directors

## Pre-Emptive Rights

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

## Tax Relief and Exemption

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

## Directors

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

### *Executive Directors*

Ms. PAN Dong (*Chairman*)

Mr. LUO Qiuping (*Chief Executive Officer*)

Ms. LUO Dong

Mr. POON Kwok Leung

Ms. XIAO Haishan

### *Non-executive Director*

Mr. CAO Wei

### *Independent Non-executive Directors*

Mr. Bruno Robert MERCIER

Ms. NGAN Edith Manling

Mr. HU Yebi

Pursuant to Article 84(1) of the Articles of Association, Ms. PAN Dong and Messrs. CAO Wei and Bruno Robert MERCIER shall retire by rotation at the forthcoming AGM. Mr. CAO Wei has decided not to stand for re-election. Ms. PAN Dong and Mr. Bruno Robert MERCIER, the retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

## Change in Directors’ Information

Save for Mr. CAO Wei and Ms. NGAN Edith Manling, there is no other changes in the Directors’ biographical details which are required to be disclosed pursuant to Rule 13.51 B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The biographical details of the Directors and senior management as at the date of this report are set out in this report on pages 49 to 53.



## Confirmation of Independence

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

## Directors' Service Contracts

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

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

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

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

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

## Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, were subsisting during or at the end of the year ended 31 December 2022, except as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" and note 9 to the consolidated financial statements.

## Directors' Interests in Competing Business

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



## Report of the Directors

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

As at 31 December 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 Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

#### (i) The Company

Directors	Nature of Interest	Number of Shares	Approximate % of Shares held <sup>(1)</sup>
Ms. PAN Dong <sup>(2)</sup>	Interest in controlled corporation	4,446,000,000	75.84
Mr. LUO Qiuping <sup>(2)</sup>	Interest of spouse	4,446,000,000	75.84
Ms. LUO Dong <sup>(3)</sup>	Beneficial owner	4,800,000	0.08
Mr. POON Kwok Leung <sup>(4)(5)</sup>	Beneficial owner	1,000,000	0.02
	Interest in controlled corporation	3,500,000	0.06
Ms. XIAO Haishan <sup>(6)</sup>	Beneficial owner	837,500	0.01
Mr. Bruno Robert MERCIER <sup>(7)</sup>	Beneficial owner	20,000	0.00

Notes:

(1) As at 31 December 2022, the total number of issued Shares was 5,862,116,906.

(2) Ms. PAN Dong was the sole shareholder of ZED Group Limited ("**ZED**"), which in turn held (i) directly 75.65% Shares and (ii) indirectly (as the sole shareholder of Van Group Limited ("**VGL**") 0.19% Shares of the Company. Therefore, ZED was deemed or taken to be interested in all the Shares which were beneficially owned by VGL for the purpose of Part XV of the SFO. Each of Ms. PAN and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the Shares which are beneficially owned by ZED and VGL for the purpose of Part XV of the SFO.

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

(4) Mr. POON Kwok Leung ("**Mr. POON**") was granted share options under the Pre-IPO Share Option Scheme to subscribe for 975,000 Shares. He directly held 25,000 Shares.





- (5) Mr. POON was the sole shareholder of Allied Power Limited (“APL”), which in turn held directly 0.06% Shares of the Company. Therefore, Mr. POON was deemed or taken to be interested in all the Shares which were beneficially owned by APL for the purpose of Part XV of the SFO.
- (6) Ms. XIAO Haishan was granted share options under the Pre-IPO Share Option Scheme to subscribe for 900,000 Shares and there was a lapse of share options of 62,500 Shares.
- (7) Mr. Bruno Robert MERCIER directly held 20,000 Shares.

## (ii) Associated Corporations

Directors	Associated Corporations	Nature of Interest	Number of Shares Interested	Approximate % of shareholding <sup>(1)</sup>
Ms. PAN Dong <sup>(2)</sup>	ZED Group Limited	Beneficial owner	1	100
	Van Group Limited	Interest in controlled corporation	1,000	100
Mr. LUO Qiuping <sup>(2)</sup>	ZED Group Limited	Interest of spouse	1	100
	Van Group Limited	Interest of spouse	1,000	100

Note:

- (1) The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at 31 December 2022.
- (2) Ms. PAN Dong was the sole shareholder of ZED, which held the entire issued shares of VGL. Therefore, each of Ms. PAN and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the shares of VGL which were beneficially owned by ZED for the purpose of Part XV of the SFO.

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 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.



# Report of the Directors

## Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2022, the interests of persons (other than the Directors) whose interest in the Shares or underlying Shares (within the meaning of Part XV of the SFO) of the Company which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of Interest	Number of Shares	Approximate % of shareholding <sup>(1)</sup>
ZED Group Limited <sup>(2)</sup>	Beneficial owner/ Interest in controlled corporation	4,446,000,000	75.84
HCM BM HOLDINGS, LTD. <sup>(3)</sup>	Beneficial owner	500,000,000	8.53
GAOLING FUND L.P. <sup>(3)</sup>	Beneficial owner/Interest in controlled corporation	542,765,000	9.26
HILLHOUSE CAPITAL ADVISORS, LTD. <sup>(3)</sup>	Interest in controlled corporation	544,922,500	9.30

Notes:

- (1) As at 31 December 2022, the total number of issued Shares was 5,862,116,906.
- (2) ZED held (i) 75.65% Shares directly and (ii) indirectly (as the sole shareholder of VGL) 0.19% shares of the Company. Therefore, ZED was deemed or taken to be interested in all the Shares which were beneficially owned by VGL for the purpose of Part XV of the SFO. Each of Ms. PAN Dong and Mr. LUO Qiuping (the spouse of Ms. PAN) was deemed or taken to be interested in all the Shares which were beneficially owned by ZED and VGL for the purpose of Part XV of the SFO.
- (3) HCM BM Holdings, Ltd. was a company incorporated under the laws of the 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 31 December 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.



## Directors' Rights to Acquire Shares or Debentures

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

## Equity-Linked Agreements

The Board adopted the Pre-IPO Share Option Scheme on 23 September 2020. As at 31 December 2022, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares as at the date of this report). All the share options have been granted before the first date on which the Shares are listed and traded on the Main Board of the Stock Exchange (being 16 December 2020) (the "**Listing Date**"). For further details, please refer to the subsection headed "Pre-IPO Share Option Scheme" below.

The Board adopted the 2021 Share Award Plan (as defined below) on 3 June 2021 and the 2022 Share Award Plan (as defined below) on 29 March 2022. As at 31 December 2022, 8,613,000 share awards have been granted pursuant to the 2021 Share Award Plan to 335 employees. and no share award has been granted pursuant to the 2022 Share Award Plan. For further details, please refer to the subsection headed "2021 Share Award Plan" and "2022 Share Award Plan" below.

Save as otherwise disclosed in this report, there was no other equity-linked agreement entered into by the Company during the year ended 31 December 2022.



# Report of the Directors

## Pre-IPO Share Option Scheme

The Board adopted the Pre-IPO Share Option Scheme on 23 September 2020. As at 31 December 2022, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares as at the date of this report). All the share options have been granted before the Listing Date.

### (i) Purpose

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

### (ii) Who may join

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

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

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

### (iii) Maximum number of Shares

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

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

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



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

**(v) Exercise price for Shares**

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

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

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

**(vii) Outstanding options granted**

On 23 September 2020 (being the date of grant), pursuant to the Pre-IPO Share Option Scheme, the Company has granted share options to subscribe for an aggregate of 61,651,000 Shares (representing approximately 1.05% of the total issued Shares) to 684 grantees. The grantees comprise three Directors, existing employees and Business Associates of the Group (who are not Directors or connected persons of the Group). All the share options have been granted before the Listing Date. The total number of Shares available for issue under the Pre-IPO Share Option Scheme was 51,802,909 in respect of outstanding share options as at 31 December 2022 representing approximately 0.88% of the total number of Shares as at the date of this report.



## Report of the Directors

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

Name of Grantee	Date of grant <sup>(Note 1)</sup>	Outstanding options as at 1 January 2022	Granted during the year	Exercised during the year	Number of options			Outstanding options as at 31 December 2022	Exercise Price per Share	Option Period
					Cancelled during the year	Lapsed during the year				
<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	—	—	—	(62,500)	837,500	HK\$3.76	10 years from the date of Grant	
<i>Others</i>										
Other Grantees including existing employees and Business Associates of the Group	23 September 2020	51,479,800	—	(2,516,906) <sup>(Note 2)</sup>	—	(3,772,485)	45,190,409	HK\$3.76	10 years from the date of Grant	
<b>Total:</b>		<b>58,179,800</b>	<b>—</b>	<b>(2,541,906)</b>	<b>—</b>	<b>(3,834,985)</b>	<b>51,802,909</b>			

Notes:

- On every vesting date, either one-fourth of his or her option (rounded up to the nearest board lot) or 10%, 20%, 30% and 40% of his or her option (rounded up to the nearest whole board lot) during the Option Period (as defined in the Prospectus), in each case as specified in the letter to the relevant grantees, commencing from each of the first, second, third and fourth anniversaries of the Listing Date, respectively, may be vested in the grantee, subject to the satisfaction of certain performance targets and/or the attainment or performance of milestones by any member of our Group as determined by our Board at its sole and absolute discretion. Notwithstanding the above, our Board may in its sole discretion amend the vesting schedule and vest any percentage of the underlying Shares in respect of the options under the Pre-IPO Share Option Scheme in accordance with the terms thereunder.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$6.12.

Save as disclosed above, during the year ended 31 December 2022, no share options were granted, exercised, lapsed or cancelled under the Pre-IPO Share Option Scheme. For further details regarding the Pre-IPO Share Option Scheme, please refer to the Prospectus and note 24 to the consolidated financial statements of this report.



## 2021 Share Award Plan

The Board approved the adoption of the 2021 Share Award Plan on 3 June 2021. As at 31 December 2022, 8,613,000 share awards have been granted to 335 employees all of which shall be satisfied by existing Shares. Pursuant to the 2021 Share Award Plan, the Share to be awarded will be satisfied by:

- (a) existing Shares to be acquired by the trustee on or off the market;
- (b) such shares as may be subscribed for by the Trustee subject to the Company having obtained the requisite Shareholders' approval in general meeting for the allotment and issue of new Shares under general mandate or specific mandate and the grant of the listing of and permission to deal in such Shares by the Stock Exchange;
- (c) such Shares as may be allotted or issued to the trustee as a holder of Shares whether by way of scrip dividend or otherwise; and
- (d) such returned shares which remain unvested and revert to the trustee in accordance with the terms of the 2021 Share Award Plan.

### (i) Purpose

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

### (ii) Eligible persons

The following classes of participants (other than any excluded participants) are eligible for participation in the 2021 Share Award Plan:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Group or any entity in which any member of the Group holds any equity interest;
- (b) any executive directors of the Company, any subsidiary of the Group or any invested entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and
- (d) any other Group's or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the 2021 Share Award Plan, the award may be made to any company wholly owned by one or more of the above participants.



## Report of the Directors

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

**(iii) Maximum number of Shares that may be awarded**

The maximum number of Shares to be subscribed for and/or purchased shall not exceed 5% of the total number of issued Shares as at 3 June 2021 (the adoption date of the 2021 Share Award Plan), being 292,959,750 Shares which represent approximately 5% of the issued Shares as at the date of this report. The Board shall not instruct the trustee of the 2021 Share Award Plan to subscribe for and/or purchase any Shares for the purpose of the 2021 Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

**(iv) Maximum entitlement of each participant**

The total number of Shares which may be subject to an award or awards to a selected participant shall not in aggregate exceed 1% of the total number of issued Shares as at the adoption date, being 58,591,950 Shares.

**(v) Vesting period of awarded Shares and lapse**

Subject to and in accordance with the rules relating to the 2021 Share Award Plan, the trustee of the 2021 Share Award Plan shall transfer to and vest in any participant the legal and beneficial ownership of the awarded Shares to which such participant is entitled under the relevant award as soon as practicable after the latest of (a) the vesting date as specified in the relevant award notice; and (b) where applicable, the date on which the condition(s) and/or performance target(s) to be attained or paid by such selected participant as specified in the relevant award notice have been attained or paid and notified to the trustee of the 2021 Share Award Plan by the Board in writing. The vesting period under the 2021 Share Award Plan in relation to any selected participant is the period commencing on the date on which the awarded Shares have been provisionally set aside pursuant to an Award to such selected participant and ending on the vesting date.

At any time prior to a vesting date, unless the Board otherwise determines, in respect of a selected participant who:

- (a) died or became totally and permanently disabled and incapacitated, all the awarded Shares of that selected participant shall be deemed to be vested in that participant on the day immediately prior to his death or becoming totally and permanently disabled and incapacitated; or
- (b) (in the case of a selected participant who is an employee) retired on his normal retirement date, all the awarded Shares of that participant shall be deemed to be vested in that participant on the day immediately prior to his normal retirement date; or





- (c) (in the case of a selected participant who is an employee) retired on an earlier retirement date (with prior written agreement given by the Company or the relevant subsidiary of the Group or the relevant Invested Entity), all the awarded Shares of that participant shall be deemed to be vested in that participant on the day immediately prior to his or her earlier retirement date.

In the event that any selected participant who is an employee ceases to be an employee by virtue of a corporate reorganisation of the Group or the invested entity, then any award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled. An award shall automatically lapse forthwith and all the awarded Shares, to the extent not already vested, shall not vest on the relevant vesting date and shall become returned shares upon occurrence of certain events specified in the 2021 Share Award Plan.

**(vi) Remaining life of the 2021 Share Award Scheme**

The 2021 Share Award Scheme shall be valid and effective for a term of 10 years commencing from 3 June 2021 but may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any selected participant. Assuming that there will not be an early termination, the remaining life of the 2021 Share Award Scheme is approximately 8.42 years as at 31 December 2022, being the date on which the latest financial year of the Company ended.

**(vii) The amount, if any, payable on application or acceptance of the award**

Other than satisfying the vesting conditions, the selected participants are not required to provide any consideration in order to acquire the Shares awarded to him or her under the 2021 Share Award Plan. Accordingly, the basis of determining the purchase price of shares awarded is not applicable.

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. The number of Share Awards available for grant under the 2021 Share Award Plan is 286,316,750 and 288,457,764 as at 1 January 2022 and 31 December 2022, respectively. As at the date of this report, the total number of Shares available for issue in respect of awards which may be granted under the 2021 Share Award Plan is 287,524,430, representing approximately 4.90% of the Shares in issue as at such date.

No share awards have been granted to any connected persons (as defined under the Listing Rules) of the Company and all share awards granted under the 2021 Share Award Plan shall be satisfied by existing Shares. Details of the 2021 Share Award Plan are set out in note 24 to the consolidated financial statements.



## Report of the Directors

Set out below is the detailed movements of the awarded Shares during the year involving the existing Shares under the 2021 Share Award Plan:

Date of Grant	Vesting Period	Closing price of the awarded Shares immediately before the date of grant	Fair value of the awarded Shares at the date of grant <sup>(2)</sup>	Unvested as at 1 January 2022	Number of the awarded Shares			
					Granted during the year	Vested during the year	Cancelled or lapsed during the year <sup>(9)</sup>	Unvested as at 31 December 2022
<b>Directors<sup>(1)</sup></b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>5 highest paid individuals during the financial year (in aggregate)<sup>(1)</sup></b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Employee participants (in aggregate)</b>								
17/09/2021 <sup>(7),(8)</sup>	17/09/2021–17/09/2024 <sup>(4)</sup>	HK\$6.42	HK\$6.65	6,433,000	–	(1,929,767)	(401,247) <sup>(9)</sup>	4,101,986
26/09/2021 <sup>(7),(8)</sup>	26/09/2021–17/09/2024 <sup>(5)</sup>	HK\$6.60	HK\$6.60	210,000	–	(70,000)	–	140,000
12/05/2022 <sup>(7),(8),(9)</sup>	12/05/2022–11/04/2025 <sup>(6)</sup>	HK\$6.01	HK\$6.02	–	555,000 <sup>(7)</sup>	(100,000)	(195,000) <sup>(9)</sup>	260,000
<b>Total:</b>				<b>6,643,000</b>	<b>555,000</b>	<b>(2,099,767)</b>	<b>(596,247)<sup>(9)</sup></b>	<b>4,501,986</b>

Notes:

- As at 1 January 2022, there was no outstanding or unvested Awarded Share in favour of any Director of the Company and five highest paid individuals for the financial year. No Awarded Share was granted to any Director of the Company and five highest paid individuals during the financial year for the financial year. As at 31 December 2022, there was no outstanding or unvested Awarded Share in favour of any director of the Company and five highest paid individuals for the financial year.
- The fair value of awards granted is measured by the quoted market price of the awarded Shares at the respective dates of grant. A description of the basis for fair value measurement is set out in note 24(b) to the consolidated financial statements.
- Weighted average closing price of the awarded Shares immediately before the date the awarded Shares were vested is HK\$5.88 per share.
- The shares awarded on 17 September 2021 are subject to a vesting scale in tranches of 33% of the awarded Shares respectively on the first and second anniversary dates of the grant date or join date and the balance of the remaining awarded Shares on the third anniversary date of the grant date.
- The shares awarded on 26 September 2021 are subject to a vesting scale in tranches of 33% or 25% of the awarded Shares respectively on each anniversary dates of the grant date or join date.
- The shares awarded on 12 May 2022 are subject to a vesting scale in tranches of 33% of the awarded Shares respectively on each anniversary dates of the join date.
- The grants made during the year ended 31 December 2022 were made subject to performance targets based on results of comprehensive assessments conducted on the respective selected participants.
- Other than satisfying the vesting conditions, the selected participants are not required to provide any consideration in order to acquire the Shares granted to him or her under the 2021 Share Award Plan.
- The share awards lapsed during the Reporting Period according to the 2021 Share Award Plan.
- All of the above grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.



## 2022 Share Award Plan

On 29 March 2022, the Board approved the adoption of the 2022 share award plan (the “**2022 Share Award Plan**”). As at 31 December 2022, no share award has been granted pursuant to the 2022 Share Award Plan. Pursuant to the 2022 Share Award Plan, the Share to be awarded will be satisfied by:

- (a) existing Shares to be acquired by the trustee on or off the market;
- (b) Shares donated or transferred for nil consideration to the trustee; and
- (c) such Shares as may be allotted or issued to the trustee as a holder of Shares whether by way of scrip dividend or in other corporate actions of the Company and such returned Shares.

### (i) Purpose

The purpose of the 2022 Share Award Plan is 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, and to attract suitable personnel for further development of the Group.

### (ii) Eligible persons

The following classes of participants are eligible for participation in the 2022 Share Award Plan:

- (a) Executive Directors; and
- (b) directors of any subsidiaries of the Group,

and, for the purposes of the 2022 Share Award Plan, the award may be made to any company wholly-owned by eligible participant or any trust which an eligible participant is the settlor.

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, subject to performance targets based on results of comprehensive assessment conducted on the selected participants, their contribution and/or anticipated future contribution to the development and growth of the Group and the grant of an award to eligible participants who are Executive Directors of the Company shall be approved by members of the Remuneration Committee (other than by himself or herself).

### (iii) Maximum number of Shares that may be awarded

The maximum number of Shares which may be awarded under the 2022 Share Award Plan shall not exceed 2% of the total number of issued Shares as at the 29 March 2022, being 117,214,180 Shares, which represent 2% of the issued Shares at the date of this report excluding such awarded Shares which have been awarded but lapsed and not vested under the 2022 Share Award Plan. The Board shall not instruct the trustee to purchase any Shares for the purpose of the 2022 Share Award Plan when doing so will result in such threshold being exceeded.



## Report of the Directors

**(iv) Maximum entitlement of each participant**

The total number of Shares which may be subject to the award to a selected participant shall not in aggregate exceed 1% of the total number of issued Shares as at the 29 March 2022, being 58,607,090 Shares.

**(v) Vesting period of awarded Shares and lapse**

Subject to and in accordance with the rules relating to the 2022 Share Award Plan, the trustee of the 2022 Share Award Plan shall transfer to and vest in any participant the legal and beneficial ownership of the awarded Shares to which such participant is entitled under the relevant award as soon as practicable after the latest of (a) the vesting date as specified in the relevant award notice; and (b) where applicable, the date on which the condition(s) and/or performance target(s) to be attained or paid by such selected participant as specified in the relevant award notice have been attained or paid and notified to the trustee of the 2022 Share Award Plan by the Board in writing. The vesting period under the 2022 Share Award Plan in relation to any selected participant is the period commencing on the date on which the awarded Shares have been provisionally set aside pursuant to an award to such selected participant and ending on the vesting date.

At any time prior to a vesting date, unless the Board otherwise determines, in respect of a selected participant who:

- (a) died or became totally and permanently disabled and incapacitated, all the awarded Shares of that participant shall be deemed to be vested in that participant on the day immediately prior to his death or becoming totally and permanently disabled and incapacitated; or
- (b) retired on his normal retirement date, all the awarded Shares of that participant shall be deemed to be vested in that participant on the day immediately prior to his normal retirement date; or
- (c) retired on an earlier retirement date (with prior written agreement given by the Company or the relevant subsidiary of the Group), all the awarded Shares of that participant shall be deemed to be vested in that participant on the day immediately prior to his earlier retirement date.

In the event that any selected participant ceases to be an executive Director or a director of a subsidiary by virtue of a corporate reorganization of the Group, then any award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled. Where such selected participant remains employed as an employee, any awards to the extent unvested shall be dealt with in accordance with the relevant grant notice to such selected participant. In the event that he or she ceases to be an employee, any awards to the extent unvested, shall forthwith lapse and be cancelled. An award shall automatically lapse forthwith and all the awarded Shares, to the extent not already vested, shall not vest on the relevant vesting date and shall become returned shares upon occurrence of certain events specified in the 2022 Share Award Plan.



**(vi) Remaining life of the 2022 Share Award Scheme**

The 2022 Share Award Scheme shall be valid and effective for a term of 10 years commencing from 29 March 2022 but may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any selected participant. Assuming that there will not be an early termination, the remaining life of the 2022 Share Award Scheme is approximately 9.25 years as at 31 December 2022, being the date on which the latest financial year of the Company ended.

**(vii) Movements during the year in relation to outstanding awards granted under the 2022 Share Award Plan**

Since the adoption of the 2022 Share Award Plan on 29 March 2022 and as at 31 December 2022, no share award has been granted pursuant to the 2022 Share Award Plan. Hence, no share awards were vested, cancelled or lapsed during the year and there is no unvested awards as at 31 December 2022. Accordingly, the total number of Share which is available for being awarded under the 2022 Share Award Plan (i.e. 117,214,180 Shares) represent 2% of the issued Shares as at the date of this annual report.

Further details in relation to the 2022 Share Award Plan are set out in the announcement of the Company dated 30 March 2022 and in note 24 to the consolidated financial statements.

**(viii) The amount, if any, payable on application or acceptance of the award**

Other than satisfying the vesting conditions, the selected participants are not required to provide any consideration in order to acquire the Shares awarded to him or her under the 2022 Share Award Plan. Accordingly, the basis of determining the purchase price of shares awarded is not applicable.

No awards granted under the 2021 Share Award Plan involves subscription of Shares and no awards have been granted under the 2022 Share Award Plan during the year ended 31 December 2022. Therefore, the number of shares that may be issued in respect of awards granted under all schemes of the Company under Chapter 17 of the Listing Rules during the financial year divided by the weighted average number of shares of the relevant class in issue for the financial year is not applicable.

Save as disclosed above, there are no other information required to be disclosed under Rule 17.07 of the Listing Rules in relation to the 2021 Share Award Plan and the 2022 Share Award Plan.

## **Related Party Transactions**

Details of related party transactions were set out in note 32 to the consolidated financial statements. Details of any related party transaction which constitutes a continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed in the section headed “Connected Transactions and Continuing Connected Transactions” below. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.



# Report of the Directors

## Connected Transactions and Continuing Connected Transactions

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

### Master Purchase Framework Agreement

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

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

The annual cap for the Master Purchase Framework Agreement payable by the Company for the year ended 31 December 2022 was HK\$5,350,500.

The total amount incurred by the Company under the Master Purchase Framework Agreement for the year ended 31 December 2022 was HK\$3,487,955. The Company has followed its pricing policies and guidelines in respect of the transactions entered into under the Master Purchase Framework Agreement when determining the price and terms of the transactions conducted during the financial year.

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



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

**Confirmation by the Independent Non-executive Directors**

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better terms; and
- (iii) in accordance with the agreements related to such transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

**Confirmation by the Auditor**

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

- (i) have not been approved by the Board;
- (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iii) have exceeded the relevant annual caps.

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



# Report of the Directors

## Retirement and Pension Scheme

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

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

During the year ended 31 December 2022 and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Permitted Indemnity Provision

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

## Management Contract

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





## Use of Proceeds from the Company's Global Offering

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

		As at 31 December 2021 Unutilised amount	For the year ended 31 December 2022 Utilised amount	As at 31 December 2022 Unutilised amount
<b>Intended use of Net Proceeds as stated in the Prospectus</b>	<i>Net Proceeds<sup>(1)</sup> approximately HK\$ million</i>	<i>approximately HK\$ million</i>	<i>approximately HK\$ million</i>	<i>approximately HK\$ million</i>
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	205	3,475 <sup>(2)</sup>
Raising brand awareness, further strengthening the Group's sales and distribution network and increasing product penetration	5,766	4,647	1,059	3,588 <sup>(3)</sup>
Working capital and for other general corporate purposes	1,100	—	—	—
Enhancing research and development capabilities	220	177	36	141 <sup>(4)</sup>
<b>Total</b>	<b>11,004</b>	<b>8,504</b>	<b>1,300</b>	<b>7,204</b>

Notes:

- (1) The net proceeds amount of approximately HK\$11,004 million include approximately HK\$2,500 million net proceeds utilized in the financial year ended 31 December 2021 and approximately 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. The net proceeds have not been utilised in the financial year ended 31 December 2022 and were brought forward.
- (2) The balance of unutilised amount on financing business expansion including production capacity expansion plans and to purchase equipment and machinery to facilitate such expansion plan as well as the development of the Group's laundry services is expected to be fully utilised by the end of 2025.



# Report of the Directors

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

## Sufficiency of Public Float

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

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2022, the Company has maintained the prescribed minimum public float permitted by the Stock Exchange.

## Environment, Social and Governance

The Group has established key environmental, social and governance (“ESG”) goals covering greenhouse gases, emissions, pollutant emissions, energy use and water use efficiency in accordance with the requirements of the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange. Further details of the Group's commitment and principles of action to the management of environment, social and governance and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core business of the Group for the year ended 31 December 2022 are set out in the Group's 2022 Environmental, Social and Governance Report (the “2022 ESG Report”), which will be published on the websites of the Company at <http://www.bluemoon.com.cn> under the section headed “Investor Relations – Company Announcement” and the Stock Exchange on even date of this report.

## Events after the year ended 31 December 2022

There are no significant events subsequent to 31 December 2022 which would materially affect the Group's operating and financial performance as of the date of this report.

## Auditor

The consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, which will retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

**PAN Dong**

*Chairman*

Hong Kong, 28 March 2023



# Board of Directors and Senior Management

## Executive Directors

**Ms. PAN Dong** (潘東), aged 57, was appointed as a Director and the Chairman of the Company on 27 December 2007. She was re-designated as an Executive Director on 22 June 2020. She is primarily responsible for the technological development of the Group. Ms. PAN joined the Group on 1 August 1997 as the Chief Technology Officer and is currently the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Ms. PAN holds a master's degree in organic chemistry and a master of business administration degree.

Ms. PAN is the wife of Mr. LUO Qiuping, the Executive Director and Chief Executive Officer of the Company.

**Mr. LUO Qiuping** (羅秋平), aged 59, was appointed as a Director and the chief executive officer of the Company on 12 February 2008. He was re-designated as an Executive Director on 22 June 2020. He is primarily responsible for the strategic planning and overall management of the Group. Mr. LUO joined the Group in November 1994 and has been acting as the Chief Executive Officer of the Group since December 1994.

Mr. LUO holds a master's degree in organic chemistry. He was certified as a chemical engineer by Guangzhou Municipal Science & Technology Commission (廣州市科學技術委員會) of the PRC.

Mr. LUO is the husband of Ms. PAN Dong, the Chairman and Executive Director of the Company.

**Ms. LUO Dong** (羅東), aged 49, was appointed as a Director of the Company on 12 February 2008. She was re-designated as an Executive Director on 22 June 2020. She is responsible for the supply chain management of the Group. Ms. LUO joined the Group after graduation. She has been working as the chief supply officer of the Group since December 2005.

Ms. LUO has 27 years of experience in the operation, purchase and manufacture management of the "Blue Moon (藍月亮)" brand products. She also held various positions successively, including the head of the laboratory, the head of the department of quality inspection, assistant manager of the technical quality department and the manager of the finished product department, and was primarily responsible for the manufacture management of household care products.

Ms. LUO graduated from Beijing Institute of Fashion Technology with a bachelor's degree in applied chemistry.



## Board of Directors and Senior Management

**Mr. POON Kwok Leung** (潘國樑), aged 43, was appointed as a Director of the Company and re-designated as an Executive Director on 22 June 2020. Mr. POON joined the Group in May 2008 as the financial controller. He was later appointed as the chief financial officer of the Group on 1 March 2016. He is responsible for the management of financial accounts and financing matters of the Group.

Mr. POON has extensive experience in auditing, accounting and financial management. Prior to joining the Group, he held various positions in PricewaterhouseCoopers, KPMG and the wholesale banking group (China corporates) division of CITIC Ka Wah Bank Limited.

Mr. POON graduated from the University of Hong Kong with a bachelor's degree of business administration in accounting and finance and received a bachelor of Chinese law degree from the School of Law of Tsinghua University subsequently. Mr. POON is a member of the Hong Kong Institute of Certified Public Accountants.

**Ms. XIAO Haishan** (肖海珊), aged 46, was appointed as a Director of the Company and re-designated as an Executive Director on 22 June 2020 and as the Chief Operation Officer of the Group on 1 July 2017. She is responsible for the operation and human resource management of the Group. Ms. XIAO joined the Group in February 2011. She held various positions in the Group successively, including the assistant of the Group's chief executive officer, the operation director and the head of human resource centre of the Group. Ms. XIAO is also a member of the Remuneration Committee of the Company.

Ms. XIAO held various positions successively in the marketing department of the Group, including planning associate, branding manager and manager of the marketing department.

Ms. XIAO graduated from Wuhan University with a bachelor's degree in economics and received a master of business administration degree from Zhejiang University subsequently.

### Non-executive Director

**Mr. CAO Wei** (曹偉), aged 44, was appointed as a Non-executive Director of the Company on 22 June 2020. He is primarily responsible for participating in decision making of important matters of the Group. Mr. CAO is a member of the Audit Committee of the Company.

Mr. CAO has more than 11 years of experience in finance and investment management. From July 2003 to August 2004, Mr. CAO was an associate at Boston Consulting (Shanghai) Co., Ltd., a management consulting firm where Mr. CAO was primarily responsible for conducting consulting projects for clients in Greater China. He later worked in Warburg Pincus, an investment management firm, as a principal from September 2004 to June 2014, where he was responsible for the investment consulting in the consumer and retail sectors in Greater China. Since July 2014, Mr. CAO has been working in Hillhouse Investment (高瓴投資) as a partner, primarily responsible for private equity investment in consumer and retail industries.

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



## Independent Non-executive Directors

**Mr. Bruno Robert MERCIER**, aged 63, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. Mr. MERCIER is responsible for supervising and providing independent judgment to the Board. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

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

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

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

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

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



## Board of Directors and Senior Management

**Ms. NGAN Edith Manling** (顏文玲), aged 58, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. Ms. NGAN is responsible for supervising and providing independent judgment to the Board. She is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Ms. NGAN is currently an independent non-executive director and a member of each of the audit committee and the compensation committee of Tencent Music Entertainment Group (“**TME**”), a company listed on the New York Stock Exchange and also the Main Board of the Stock Exchange. She is an independent non-executive director, the 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 (“**AFHL**”), an independent non-executive director of Swire Pacific Limited (“**SPL**”) and an independent non-executive director, the chairman of the environmental, social and governance committee and a member of each of the audit committee, the nomination committee and the remuneration committee of HKBN Ltd. (“**HKBN**”). All of AFHL, SPL and HKBN are the companies listed on the Main Board of the Stock Exchange.

Ms. NGAN has extensive experience in public and private financial and corporate management, governance and business development. Between 1996 to 2010, she held regional management positions in financial groups including Invesco, Principal and ABN AMRO. From 2010 to 2017, Ms. NGAN led educational and professional institutions successively at the Asia Society Hong Kong Centre, the Hong Kong Securities and Investment Institution, and RICS International. She was an independent non-executive director and a member of the audit committee and the risk committee of Blue Insurance Limited from 2018 to May 2022.

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

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



**Mr. HU Yebi** (胡野碧) (with former name as **HU Guiping** (胡貴平)), aged 59, was appointed as an Independent Non-executive Director of the Company on 22 June 2020 with effect upon the date of the Prospectus. Mr. HU is responsible for supervising and providing independent judgment to the Board. He is the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.

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

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

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

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

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



# Corporate Governance Report

## Culture and its alignment with the Company's purpose, values and strategies

The Company is committed to promote a culture of trust, respect and excellence, with commitment to promoting and maintaining operational compliance and integrity in the operating environment. Such culture aligns with the Company's vision and strategy to keep abreast of consumer demands for the implementation of reforms and innovative ideas, in order to promote the long-term and healthy development for the Company and to allow every family to enjoy a clean, healthy, comfortable, respectable and delightful “Blue Moon (藍月亮)” lifestyle.

## Compliance with the Code on Corporate Governance Practices

The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules applicable to the Company during the year ended 31 December 2022 (the “CG Code”), and the Company has adopted the CG Code as its own corporate governance code. The CG Code has been applicable to the Company since the Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code during the year ended 31 December 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 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 or 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 or she has complied with the requirements of the Model Code during the year ended 31 December 2022.





## Board of Directors

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

As at 31 December 2022, the Board comprised five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Board has met the requirements of Rule 3.10 and Rule 3.10A of the Listing Rules of having at least three Independent Non-executive Directors (representing at least one-third of the Board). In addition, Ms. NGAN Edith Manling, an Independent Non-executive Director, has the appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

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

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

Biographical details of the Directors and senior management of the Company as at the date of this report are set out on pages 49 to 53 of this report. Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the Shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

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



# Corporate Governance Report

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

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

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



For the year ended 31 December 2022, the Board convened a total of four Board meetings based on the needs of the operation and business development of the Company. Details of attendance of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee meetings and the AGM are as follows:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
<b>Executive Directors</b>					
Ms. PAN Dong ( <i>Chairman</i> )	4/4	N/A	2/2	1/1	1/1
Mr. LUO Qiuping ( <i>Chief Executive Officer</i> )	4/4	N/A	N/A	N/A	1/1
Ms. LUO Dong	4/4	N/A	N/A	N/A	1/1
Mr. POON Kwok Leung	4/4	N/A	N/A	N/A	1/1
Ms. XIAO Haishan	4/4	N/A	2/2	N/A	1/1
<b>Non-executive Director</b>					
Mr. CAO Wei	4/4	3/3	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mr. Bruno Robert MERCIER	4/4	3/3	2/2	1/1	1/1
Ms. NGAN Edith Manling	4/4	3/3	2/2	N/A	1/1
Mr. HU Yebi	4/4	N/A	2/2	1/1	1/1

Under the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals. The Board held four meetings at approximately quarterly intervals during the year ended 31 December 2022 in accordance with the CG Code. Apart from regular Board meetings, the Chairman will also hold meeting(s) annually with the Independent Non-executive Director without the presence of other Directors.

For the year ended 31 December 2022, duties performed by the Board under Rule A.2.1 of Appendix 14 of the Listing Rules include, but not limited to:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
- (b) to review and monitor the training and continuous professional development ("CPD") of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report and the Model Code.



# Corporate Governance Report

## Relationship among the Directors

There are no financial, business, family or other material/relevant relationships between any members of the Board throughout the year ended 31 December 2022, save that Ms. PAN Dong, the Chairman and Executive Director of the Company, is the wife of Mr. LUO Qiuping, an Executive Director and Chief Executive Officer of the Company. In the Board's opinion, this relationship does not affect the Directors' independent judgement and integrity in executing their roles and responsibilities. The Non-executive Director and the Independent Non-executive Directors bring a variety of experience and expertise to the Company.

## Responsibilities of the Board and the Management

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

## Directors' Training

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

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

During the year ended 31 December 2022, all Directors attended training to ensure they are apprised of the latest development regarding the Listing Rules and other applicable statutory requirements on listed companies, and to refresh their knowledge and skills in relation to their contribution to the Board, primarily by the following means:

1. reading guidelines, memoranda, reports, updates and other papers prepared or compiled from time to time by or for the Company; and
2. attending briefings, seminars, conferences, courses or workshops organised by the Company and/or the professional bodies.

The CPD training received by the Directors in the year ended 31 December 2022 is summarised as follows:

Board	Training received
<b>Executive Directors</b>	
Ms. PAN Dong ( <i>Chairman</i> )	(1) & (2)
Mr. LUO Qiuping ( <i>Chief Executive Officer</i> )	(1) & (2)
Ms. LUO Dong	(1) & (2)
Mr. POON Kwok Leung	(1) & (2)
Ms. XIAO Haishan	(1) & (2)
<b>Non-executive Director</b>	
Mr. CAO Wei	(1) & (2)
<b>Independent Non-executive Directors</b>	
Mr. Bruno Robert MERCIER	(1) & (2)
Ms. NGAN Edith Manling	(1) & (2)
Mr. HU Yebi	(1) & (2)



In addition, all Directors of the Company are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the Directors abreast of such duties and responsibilities.

## Appointment and Re-election of Directors

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

Pursuant to Article 84(1) of the Articles of Association, Ms. PAN Dong and Messrs. CAO Wei and Bruno Robert MERCIER shall retire by rotation at the forthcoming AGM. Mr. CAO Wei has decided not to stand for re-election. Ms. PAN Dong and Mr. Bruno Robert MERCIER, the retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

## Chairman and Chief Executive Officer

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

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

## Audit Committee

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

In accordance with the terms of reference of the Audit Committee, for the year ended 31 December 2022 it was responsible for:

- reviewing accounting policies adopted by the Group and issues related to accounting practice;
- reviewing the external auditor's qualifications, independence and performance;



## Corporate Governance Report

- reviewing the external auditor's management letter and the management's response;
- reviewing the audited annual results, interim results and consolidated financial statements of the Group;
- assisting the Board to evaluate on the effectiveness of financial reporting procedures, risk management and internal control system; and
- advising on material events or drawing the attention of the management on related risks.

Having conducted the relevant review, the Audit Committee is of the view that the consolidated financial statements of the Group for the year ended 31 December 2022 comply with the applicable accounting standards and the Listing Rules, and that sufficient disclosures have been made.

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

According to the CG Code, the Audit Committee must meet with the Company's auditors at least twice a year. In accordance with the terms of reference of the Audit Committee, the Audit Committee held three meetings during the year ended 31 December 2022 and three meetings with the Company's external auditors regarding the review of the Company's financial report and accounts.

### Remuneration Committee

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

The emoluments of Directors are determined by reference to the skills, experience, responsibilities, employment conditions and time commitment in the Group's affairs and performance of each Director as well as salaries paid by comparable companies and the prevailing market conditions.

Summary of work for the year ended 31 December 2022:

- determining the policy for remuneration of the Executive Directors;
- assessing the performance of the Executive Directors; and



- reviewing and approving matters related to share schemes under Chapter 17 of the Listing Rules, including approving the adoption of the 2022 Share Award Plan.

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

The Remuneration Committee held two meetings during the year ended 31 December 2022 to perform its duties.

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

Further details of the remuneration of the Board for the year ended 31 December 2022 are set out in note 9 to the consolidated financial statements contained in this report.

## Nomination Committee

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

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

The Nomination Committee held one meeting during the year ended 31 December 2022 to perform its duties.

## Nomination Policy

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



# Corporate Governance Report

## Mechanisms to ensure independent views and input are available to the Board

During the year, the Nomination Committee also conducted annual review of the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following key features and mechanisms, the Nomination Committee considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

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**Board and Committees' structure**

- The Company has been steered by the Board, comprising Executive Directors, Non-executive Directors and Independent Non-executive Directors.
- Separation of the role of the Chairman and the Chief Executive Officer ensures that there is a balance of power and authority.
- The Board will maintain a balanced composition of Executive Directors and Independent Non-executive Directors to ensure strong independence of the Board.

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**Non-executive Director and Independent Non-executive Directors' remuneration**

- The Non-executive Director and Independent Non-executive Directors receive fixed fee(s) for their role(s) as the members of the Board and Board Committee(s) as appropriate, and are not entitled to participate in the share award plans of the Company. Information about the Directors' remuneration is set out in the Remuneration Committee Report and note 9 to the consolidated financial statements.

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**Annual review of Independent Non-executive Directors' commitment and independence**

- None of the Independent Non-executive Directors serves as the independent non-executive director on the board of directors of more than 7 listed companies and none of them served as an Independent Non-executive Director of the Company for more than 9 years.
- The Independent Non-executive Directors have sufficient capacity and status to enable their opinions to have some influence.
- The Board will continually assess each Director's independence against all relevant factors.

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**Professional advice**

- To facilitate proper discharge of the Directors' duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Group's expense.
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## Whistleblowing Policy

The Company has established the “Whistleblowing Policy” for employees and parties dealing with the Company including customers and suppliers to directly report to the internal audit function for any serious concerns about suspected fraud, corruption, malpractice, misconduct or irregularity of the Group. The internal audit function will investigate the reported case in a confidential and timely manner and report the results of investigations to the Audit Committee and the Executive Director(s) authorised by the Board.

## Anti-corruption Policy

The Group has formulated an anti-corruption policy which sets out the responsibilities of employees of the Group to comply with applicable anti-corruption laws and provides guidance to employees to deal with business partners, acquisitions, charitable donations, gifts and hospitality. Further details of the anti-corruption policy are set out in the 2022 ESG Report of the Group.

## Board Diversity

The Board has adopted the Board Diversity Policy which sets out the approach to achieving diversity for the Board.

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

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

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

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



# Corporate Governance Report

The Board is responsible for reviewing the diversity of the Board. During the year ended 31 December 2022, the Board has four female Directors, representing approximately 44% of the Board and five male Directors of a variety of education and professional background, who possess a diverse range of experience, skills and expertise and bring different insights to the Board. The Board monitored the implementation of the Board Diversity Policy on an annual basis, reviewed the Board Diversity Policy and is satisfied with its effectiveness to achieve the diversity of the Board for the year ended 31 December 2022.

The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified. In order to further enhance the diversity of the Board, the Board will also engage independent professional agencies to assist with identifying suitable candidates for the Directors if needed.

The Board will maintain a balanced composition of the Executive Directors and Independent Non-executive Directors to ensure strong independence of the Board. The Independent Non-executive Directors should have sufficient capacity and status to enable their opinions to have some influence. The Board will continually assess each Director's independence against all relevant factors.

In order to ensure that the Board's composition complies with the Listing Rules and reflects an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness and efficiency, the Nomination Committee has reviewed the structure, size and diversity of the Board as well as the Board Diversity Policy for the year ended 31 December 2022.

## Diversity

The Company advocates for a diverse and inclusive workplace and proactively attracts talents through campus recruitment, social recruitment, school-enterprise cooperation and other channels to recruit excellent talents. The Company constantly optimises the workforce composition to achieve a reasonable distribution of employees by gender, age and region. In addition, the Company provides equal employment opportunities for people with disabilities, ensures equal opportunities for all, and encourages cooperation at a workplace defined by cultural diversity.

During the year ended 31 December 2022, the Company had a total of 8,731 employees, of which female employees accounted for 52.6%. 42.5% of leadership positions were held by female employees. More details on the Group's diversity and inclusion initiatives, including employees' gender ratios, are set out in the 2022 Environmental, Social and Governance Report of the Company (the "ESG Report").



## Directors' and Auditors' Responsibilities for the Financial Statements

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

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 72 to 155.

## Company Secretary

Mr. POON Kwok Leung is the Company Secretary of the Company. He has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. The biographical information of Mr. POON is set out in the section headed "Board of Directors and Senior Management" on page 50 of this report. Mr. POON has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2022 in compliance with Rule 3.29 of the Listing Rules.

## Risk Management and Internal Control

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

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

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



## Corporate Governance Report

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

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

- **Risk Identification:** identify risks that may potentially affect the Group's businesses and operations;
- **Risk Evaluation:** consider the impact on the business and the likelihood of their occurrence; and
- **Risk Management:** perform ongoing and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

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



The Board is responsible for maintaining an adequate risk management and internal control system on an ongoing basis to safeguard shareholder investments and Group assets. The Board has conducted an annual review on the Group's risk management and internal control systems and their effectiveness. The review covered the period from 1 January 2022 to 31 December 2022 and all material controls, such as financial control, operational control and compliance control including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting functions and the Company's ESG performance and reporting, and considered the changes in the nature and extent of significant risks including ESG risks as well as the Company's ability to respond to changes in its business and the external environment. The review also covers the scope and quality of the management's ongoing monitoring of risks (including ESG risks), internal control system and internal audit function, extent and frequency of communication of monitoring results to the Board: significant control failings or weakness and procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient. Going forward, the Board will review the Group's risk management and internal control systems at least once a year.

The management of the Group has confirmed to the Board that the Group's risk management and internal control systems are effective and adequate. Based on the review and management's confirmation, the Board considered that the risk management and internal control systems of the Group during the reporting year are effective and adequate.

## Internal Audit

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

## Inside Information

The Group is aware of its obligations under relevant sections of the SFO and Listing Rules. For the year ended 31 December 2022, the Group has implemented procedures and internal controls for the handling and dissemination of inside information, including:

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



# Corporate Governance Report

- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

## Dividend Policy

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

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

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

## Remuneration Policy

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

During the year, details of benefits and interests of Directors (which are all senior management of the Company) and five highest paid individuals, and the remuneration by band of the two highest paid employees excluding the Directors for the year ended 31 December 2022 are set out in note 8 to the consolidated financial statements. For details of remuneration policy of the Directors, please refer to section headed "Remuneration Committee".

## Auditor's Remuneration

The remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, and its affiliated firms, for its audit/audit-related services and non-audit services for the year ended 31 December 2022 were HK\$4.0 million and HK\$1.6 million, respectively. Non-audit services include tax compliance and advisory services and other services. There has been no change of auditor of the Company in the three years preceding the date of this report.



## Corporate Social Responsibility

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

## Environment and Compliance with Laws

The Group is committed to minimising the impact on the environment from its business activities and details of such efforts are set out in the ESG Report. As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects, including requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Listing Rules, the SFO and the CG Code for among other things, disclosure of information and corporate governance.

## Material Change in the Articles of Association

No changes have been made to the articles of association of the Company (the “**Articles of Association**”) by the Company for the year ended 31 December 2022.

## Relationship with Stakeholders

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

Further information on how the Group communicates with different stakeholders are set out in the 2022 ESG Report which will be published on the websites of the Company and the Stock Exchange.



# Corporate Governance Report

## Investor and Shareholder Relations

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

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

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

## Constitutional Documents

No changes has been made to the Company's Articles of Association during the year under review.

## Shareholders' Rights

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

Under the Articles of Association, the Shareholders' Communication Policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among other thing, the following rights:

### Right to convene extraordinary general meetings

Pursuant to Article 58 of the Articles of Association in force as at 31 December 2022, extraordinary general meetings may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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





### **Right to participate at general meetings**

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

### **Right to put enquiries and proposals to the Board and at general meetings**

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

The Company publishes on its website the latest company news relating to the Group on a regular basis. The public is welcome to provide opinions and make enquiries through the Company's website. The Company regularly organises various activities, including holding briefing sessions and individual meetings with investors/analysts, non-deal roadshows, media interviews as well as organizing/participating in industry conferences, etc. to facilitate communication between the Company and the Shareholders, stakeholders and investors and to understand their views.

The Shareholders' Communication Policy sets out detailed procedures under which the Shareholders may communicate to the Board any enquiries they may have. All shareholder correspondences received by the Company will be delivered to the Group's Investor Relations Department (the "IR Department") for an initial review.

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

### **Implementation and effectiveness of the shareholders' communication policy conducted during the year**

The Shareholders' Communication Policy ensures that the Shareholders are provided with ready, equal and timely access to information about the Group (including its financial performance, strategic goals and plans, material developments and governance), and also allows them to engage actively with the Group. The executive committee of the Company, comprising three Executive Directors, has reviewed the Shareholders' Communication Policy during the year ended 31 December 2022 and was satisfied with its implementation and effectiveness. Queries received from the IR Department during the year have been recorded and responded and relevant actions have been taken, if necessary.



# Independent Auditor's Report

To the Shareholders of Blue Moon Group Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Blue Moon Group Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 77 to 155, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Expected credit loss allowance for trade receivables</b></p> <p>Refer to notes 3.1(b) and 20 to the consolidated financial statements.</p> <p>As at 31 December 2022, the Group had gross trade receivables of HK\$2,026 million and expected credit loss allowance for trade receivables amounted to HK\$87 million.</p> <p>Loss allowance for trade receivables was provided based on the simplified approach of the expected credit loss model prescribed under HKFRS 9.</p> <p>Management applied judgement in assessing the expected credit losses. Trade receivables relating to customers with known financial difficulties or customers with significant long-aged trade receivables balance in proportion to their respective total balance are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on their shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.</p>	<p>We have performed a combination of test of controls and substantive tests, including:</p> <ul style="list-style-type: none"><li>• Understood management’s internal controls and assessment processes of estimating expected credit loss allowance for trade receivables;</li><li>• Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors involved in the loss allowance estimation such as subjectivity;</li><li>• Evaluated and tested the relevant controls over the estimation of such loss allowance;</li><li>• Assessed the appropriateness of the expected credit loss provisioning methodology used by the Group;</li><li>• Discussed with management to understand and assess the reason behind each individual provision, if any, corroborating with independent online research on credit information, and for customers subject to specific provision, performed recoverability analysis taking account into recent default cases observable in the market and evidence of recoverability such as subsequent settlement, formation of settlement agreement and existence of collateral;</li></ul>



# Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>In developing the loss allowance, the expected credit loss rates of trade receivables assessed individually are determined based on corresponding external default data of the customers, their repayment and default histories and on-going business relationship with them. For trade receivables assessed collectively, the expected credit loss rates are determined based on historical credit losses experienced. The loss rates are then adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.</p> <p>We focused on the expected credit loss allowance for trade receivables due to the magnitude of gross trade receivables balance at the year end date and the estimation of relevant expected credit loss involves significant judgement and subjective assumptions.</p>	<ul style="list-style-type: none"><li>• Checked the mathematical accuracy of the provisional matrix and the reasonableness of monthly movement of trade receivables ageing profiles adopted in the collective assessment, and involved our in-house systems and process expert to perform report assurance over the trade receivables aging profiles; and</li><li>• Discussed with management to understand and assess the nature and the judgement including forward looking elements such as macroeconomic factors of China adopted to estimate the expected credit loss provision.</li></ul> <p>Based on the above, we considered management's judgements and assumptions applied in determining the expected credit loss allowance of trade receivables were supportable by the evidence obtained and procedures performed.</p>

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Blue Moon Group Holdings Limited 2022 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which are obtained prior to the date of this auditor's report, and 2022 Environmental, Social and Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



When we read 2022 Environmental, Social and Government Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

## **Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



## Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Chung Kit Yi, Kitty.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 March 2023



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	5	7,946,733	7,597,481
Cost of sales	7	(3,351,292)	(3,158,683)
<b>Gross profit</b>		<b>4,595,441</b>	<b>4,438,798</b>
Other income and other (losses)/gains, net	6	(100,076)	92,918
Selling and distribution expenses	7	(2,650,965)	(2,391,969)
General and administrative expenses	7	(1,108,612)	(978,299)
Provision for impairment losses of financial assets	20	(66,899)	(11,608)
<b>Operating profit</b>		<b>668,889</b>	<b>1,149,840</b>
Finance income	10	178,752	141,910
Finance costs	10	(9,584)	(20,739)
<b>Finance income, net</b>	10	<b>169,168</b>	<b>121,171</b>
<b>Profit before income tax</b>		<b>838,057</b>	<b>1,271,011</b>
Income tax expense	11	(226,691)	(256,596)
<b>Profit for the year</b>		<b>611,366</b>	<b>1,014,415</b>
<b>Profit attributable to equity holders of the Company</b>		<b>611,366</b>	<b>1,014,415</b>



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year</b>		<b>611,366</b>	1,014,415
<b>Other comprehensive (loss)/income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences from translation of financial statements of subsidiaries		(729,886)	229,828
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(729,886)</b>	229,828
<b>Total comprehensive (loss)/income for the year</b>		<b>(118,520)</b>	1,244,243
<b>Total comprehensive (loss)/income attributable to equity holders of the Company</b>		<b>(118,520)</b>	1,244,243
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic (HK cents)	13	<b>10.92</b>	17.49
Diluted (HK cents)	13	<b>10.87</b>	17.39

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





# Consolidated Balance Sheet

As at 31 December 2022

		As at 31 December	
		2022	2021
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	140,556	186,865
Property, plant and equipment	16	1,487,737	1,534,135
Right-of-use assets	17	514,062	495,578
Prepayments for property, plant and equipment	21	100,736	66,282
Deferred income tax assets	27	96,696	42,967
Financial asset at fair value through other comprehensive income	18	15,113	—
		<b>2,354,900</b>	<b>2,325,827</b>
<b>Current assets</b>			
Inventories	19	272,900	385,968
Trade and bills receivables	20	2,050,546	2,253,099
Prepayments, deposits and other receivables	21	349,006	313,186
Cash and cash equivalents	22	7,702,373	9,233,656
		<b>10,374,825</b>	<b>12,185,909</b>
<b>Total assets</b>		<b>12,729,725</b>	<b>14,511,736</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	23	58,621	58,595
Other reserves	25	9,065,932	10,074,014
Retained earnings		1,948,227	2,213,813
<b>Total equity</b>		<b>11,072,780</b>	<b>12,346,422</b>



# Consolidated Balance Sheet

As at 31 December 2022

	Note	As at 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grant	26	57,934	64,784
Deferred income tax liabilities	27	45,886	121,555
Lease liabilities	17	126,779	75,087
		<b>230,599</b>	261,426
<b>Current liabilities</b>			
Trade and bills payables	28	481,161	661,633
Contract liabilities	5	74,558	60,346
Accruals and other payables	29	742,327	753,768
Amounts due to a related company	32	227	407
Current income tax liabilities		55,292	266,443
Bank borrowings	30	—	100,000
Lease liabilities	17	72,781	61,291
		<b>1,426,346</b>	1,903,888
<b>Total liabilities</b>		<b>1,656,945</b>	2,165,314
<b>Total equity and liabilities</b>		<b>12,729,725</b>	14,511,736
<b>Net current assets</b>		<b>8,948,479</b>	10,282,021
<b>Total assets less current liabilities</b>		<b>11,303,379</b>	12,607,848

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

These consolidated financial statements on pages 77 to 155 have been approved for issue by the Board of Directors on 28 March 2023 and were signed on its behalf.

PAN Dong  
Director

POON Kwok Leung  
Director



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company			
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
<b>As at 1 January 2022</b>	58,595	10,074,014	2,213,813	12,346,422
<b>Profit for the year</b>	—	—	611,366	611,366
Other comprehensive loss:				
Exchange translation of foreign operations	—	(729,886)	—	(729,886)
<b>Total comprehensive loss for the year</b>	—	(729,886)	611,366	(118,520)
<b>Transactions with the owners of the Company</b>				
Issuance of ordinary shares upon exercise of share options (Note 23(b))	26	9,532	—	9,558
Dividend relating to 2021 (Note 12)	—	—	(773,184)	(773,184)
Share-based compensation expense (Note 24(c))	—	32,972	—	32,972
Purchase of shares held for Share Award Plan (Note 24(b))	—	(424,468)	—	(424,468)
Appropriation to statutory surplus reserves	—	103,768	(103,768)	—
<b>As at 31 December 2022</b>	58,621	9,065,932	1,948,227	11,072,780



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2021</b>	57,471	9,920,729	1,701,221	11,679,421
<b>Profit for the year</b>	—	—	1,014,415	1,014,415
Other comprehensive income:				
Exchange translation of foreign operations	—	229,828	—	229,828
<b>Total comprehensive income for the year</b>	—	229,828	1,014,415	1,244,243
<b>Transactions with the owners of the Company</b>				
<b>Issuance of ordinary shares upon:</b>				
— over-allotment (Note 23(a))	1,120	1,473,702	—	1,474,822
— exercise of share options (Note 23(b))	4	1,424	—	1,428
Listing expenses charged	—	(29,505)	—	(29,505)
Dividend relating to 2020	—	—	(404,284)	(404,284)
Share-based compensation expense (Note 24(c))	—	30,978	—	30,978
Purchase of shares held for Share Award Plan (Note 24(b))	—	(1,650,681)	—	(1,650,681)
Appropriation to statutory surplus reserves	—	97,539	(97,539)	—
<b>As at 31 December 2021</b>	58,595	10,074,014	2,213,813	12,346,422

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



# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31(a)	944,110	1,496,230
Interest received		162,719	141,910
Income taxes paid		(546,156)	(216,485)
<b>Net cash inflow from operating activities</b>		<b>560,673</b>	<b>1,421,655</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(285,123)	(299,854)
Proceeds from disposal of property, plant and equipment	31(b)	25,952	43,743
Acquisition of intangible assets		(3,499)	(25,110)
Release of restricted cash		—	18,084
Investment in a financial asset at fair value through other comprehensive income		(16,149)	—
<b>Net cash outflow from investing activities</b>		<b>(278,819)</b>	<b>(263,137)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares upon over-allotment		—	1,474,822
Proceeds from issuance of ordinary shares upon exercise of share options		9,558	1,428
Payments for professional fees in connection with the listing of the Company		—	(126,099)
Purchase of shares held for Share Award Scheme		(424,468)	(1,650,681)
Interest paid		(9,584)	(20,739)
Proceeds from borrowings		—	1,400,009
Repayment of borrowings		(100,000)	(1,300,059)
Dividend paid		(773,184)	(2,704,284)
Principal elements of lease payments		(71,535)	(56,436)
<b>Net cash outflow from financing activities</b>		<b>(1,369,213)</b>	<b>(2,982,039)</b>
Net decrease in cash and cash equivalents		<b>(1,087,359)</b>	(1,823,521)
Cash and cash equivalents at the beginning of year		<b>9,233,656</b>	10,921,095
Effect of exchange rate changes on cash and cash equivalents		<b>(443,924)</b>	136,082
Cash and cash equivalents at the end of year		<b>7,702,373</b>	9,233,656

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



# Notes to the Consolidated Financial Statements

## 1 General information

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

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

The ordinary shares of the Company (the “**Share**”) 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.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

#### (a) Compliance with HKFRS and HKCO

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

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

#### (b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income (“**FVOCI**”), which is measured at fair value.



## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (c) Amended standards and revised conceptual framework 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:

Annual Improvements Project	Annual improvements to HKFRSs 2018–2020
Amendments to Hong Kong Accounting Standards (“HKAS”) 16, HKAS 37 and HKFRS 3 HKFRS 16 (Amendments)	Narrow-scope amendments Covid-19-related rent concessions beyond 30 June 2021
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.

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

A new accounting standard and certain amendments to standards have been published that are not mandatory for the reporting period ended 31 December 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contract	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKAS 16 (Amendments)	Lease liabilities in a sales and leaseback	1 January 2024



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

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

		Effective for annual periods beginning on or after
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

### 2.2 Principle of consolidation

#### (a) Subsidiaries

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

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





## 2 Summary of significant accounting policies (continued)

### 2.2 Principle of consolidation (continued)

#### (b) Changes in ownership interests

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

### 2.3 Separate financial statements

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

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

### 2.4 Segment reporting

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

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

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.5 Foreign currency translation (continued)

#### (b) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within “Other income and other (losses)/gains, net”.

#### (c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

### 2.6 Property, plant and equipment

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



## 2 Summary of significant accounting policies (continued)

### 2.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.7 Intangible assets

#### (a) Trademarks and patents

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

#### (b) Computer software and system

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

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

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

### 2.8 Impairment of non-financial assets

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



## 2 Summary of significant accounting policies (continued)

### 2.9 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- debt instruments to be measured at amortised cost, and
- 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 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.

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

#### (b) Recognition and derecognition

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

#### (c) Measurement

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

#### *Debt instruments*

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (c) Measurement (continued)

##### *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.

Details on how the fair value is determined are disclosed in Note 3.3

#### (d) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Notes 3.1(b) and 20 for further details.

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

### 2.10 Offsetting financial instruments

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

### 2.11 Inventories

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



## 2 Summary of significant accounting policies (continued)

### 2.12 Trade receivables

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

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

### 2.13 Cash and cash equivalents

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

### 2.14 Share capital

Ordinary shares are classified as equity (Note 23).

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

### 2.15 Trade and other payables

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

### 2.16 Borrowings

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.16 Borrowings (continued)

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

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

### 2.17 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

### 2.18 Current and deferred income tax

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

#### (a) Current income tax

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

#### (b) Deferred income tax

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





## 2 Summary of significant accounting policies (continued)

### 2.18 Current and deferred income tax (continued)

#### (b) Deferred income tax (continued)

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

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

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

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

### 2.19 Employee benefits

#### (a) Pension obligation

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

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

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

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.19 Employee benefits (continued)

#### (b) Share-based compensation

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

- (i) including any market performance conditions (for example, an entity's share price);
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- (iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

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

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

#### Share options scheme

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



## 2 Summary of significant accounting policies (continued)

### 2.19 Employee benefits (continued)

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

##### Share award plan

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

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

#### (c) Bonus plans

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

### 2.20 Provisions

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

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

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.21 Revenue recognition

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

#### (a) Sales of goods

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

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

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

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

#### (b) Interest income

Interest income is recognised using the effective interest method.



## 2 Summary of significant accounting policies (continued)

### 2.22 Government grants

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

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

### 2.23 Leases

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

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

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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



# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies (continued)

### 2.24 Dividend distribution

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

## 3 Financial risk management

### 3.1 Financial risk factors

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

#### (a) Market risk

##### (i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong.

The functional currency of the Hong Kong reporting entities is HK\$ and the transactions are mostly denominated in HK\$ and United States dollar ("USD"). For transactions or balances denominated in USD are reasonably stable with the HK\$ under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

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

The Group is exposed to foreign exchange risk primarily through financial assets held by Hong Kong reporting entities that are denominated in RMB, and those held by PRC reporting entities that are denominated in HK\$.

As at 31 December 2022, if RMB had strengthened/weakened by 5% (2021: 5%) against the HK\$ with all other variables held constant, profit after income tax for the year would have been approximately HK\$476,000 (2021: HK\$160,703,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances.



## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (ii) *Interest rate risk*

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

As at 31 December 2022, the Group was not subject to interest rate risk as the Group did not have any interest-bearing borrowings. As at 31 December 2021, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, profit before income tax for the year ended 31 December 2021 would have been HK\$1,000,000 lower/higher, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

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

##### (iii) *Price risk*

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

#### (b) Credit risk

##### (i) *Risk management*

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

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



# Notes to the Consolidated Financial Statements

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

##### (i) *Risk management (continued)*

Sales are generally on open account with credit terms of up to 60 days to key account clients, major online e-commerce customers and, on a discretionary basis, certain offline distributors with good credit history during the year ended 31 December 2022. The remaining balances are covered by either (i) letters of credit with bills payable at sight or (ii) advances receipt. Advances are widely received for sales to majority of offline distributors and individual customers who placed orders through various online e-commerce channels. These receipts from online individual customers are often maintained in payment intermediaries which the Group recognises as other receivables. The Group considers credit risk of these payment intermediaries low and no impairment losses are provided for (Note 3.1(b)(ii)).

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group also has policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances. As at 31 December 2022, trade receivables of HK\$2,026,342,000 (2021: HK\$2,158,290,000) were due from companies operating under domestically well-known supermarkets, online platforms and certain distributors in the PRC. Loss allowances of HK\$87,396,000 (2021: HK\$24,188,000) have been provided for such trade receivables as at 31 December 2022.

The Group has concentration of credit risk on top two trade debtors, which are large online e-commerce customers with good credit history, accounted for approximately 33% (2021: 31%) of its total trade debts balance as at 31 December 2022.

##### (ii) *Impairment of financial assets*

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

- Trade receivables
- Other financial assets at amortised costs

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





### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

###### Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or customers with significant long-aged trade receivables balance in proportion to their respective total balance are considered to be subjected to higher risk of default and are tested individually.

###### Measurement of expected credit loss on individual basis

Trade receivables with higher risk of default are assessed individually for provision for impairment allowance. Their expected credit loss rates are determined based on their corresponding external default data, repayment and default histories and on-going business relationship with them. The loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2022, the balance of such individually assessed trade receivables and the loss allowance in respect of these receivables are as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Individually assessed trade receivables	573,539	405,616
Loss allowance	(78,889)	(12,046)

###### Measurement of expected credit loss on collective basis

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



## Notes to the Consolidated Financial Statements

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

The loss allowance as at 31 December 2022 was determined as follows for the remaining trade receivables:

	Key account clients HK\$'000	Offline distributors HK\$'000	Online sales channels HK\$'000
<b>As at 31 December 2022</b>			
Gross carrying amount	339,811	173,477	939,515
Loss allowance	(199)	(7,580)	(728)
	<b>339,612</b>	<b>165,897</b>	<b>938,787</b>
Expected loss rate	0.06%	4.37%	0.08%
<b>As at 31 December 2021</b>			
Gross carrying amount	733,691	122,604	896,379
Loss allowance	(8,124)	(3,375)	(643)
	<b>725,567</b>	<b>119,229</b>	<b>895,736</b>
Expected loss rate	1.11%	2.75%	0.07%

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

##### Other financial assets at amortised cost

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



### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk

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

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

At the reporting date, the Group held cash and cash equivalents of approximately HK\$7,702,373,000 (2021: HK\$9,233,656,000) (Note 22) and trade and bills receivables of approximately HK\$2,050,546,000 (2021: HK\$2,253,099,000) (Note 20) that are expected to generate cash inflows for managing liquidity risk.

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

	On demand or within 1 Year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>As at 31 December 2022</b>					
Trade and bills payables	481,161	—	—	—	481,161
Accruals and other payables	362,785	—	—	—	362,785
Amount due to a related company	227	—	—	—	227
Lease liabilities	77,502	48,788	77,403	5,540	209,233
	<b>921,675</b>	<b>48,788</b>	<b>77,403</b>	<b>5,540</b>	<b>1,053,406</b>
<b>As at 31 December 2021</b>					
Trade and bills payables	661,633	—	—	—	661,633
Accruals and other payables	305,635	—	—	—	305,635
Amount due to a related company	407	—	—	—	407
Borrowings	100,000	—	—	—	100,000
Lease liabilities	63,425	53,300	23,938	286	140,949
	<b>1,131,100</b>	<b>53,300</b>	<b>23,938</b>	<b>286</b>	<b>1,208,624</b>



## Notes to the Consolidated Financial Statements

### 3 Financial risk management (continued)

#### 3.2 Capital risk management

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

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

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

	2022 HK\$'000	2021 HK\$'000
Total bank borrowings	—	100,000
Total equity	11,072,780	12,346,422
Gearing ratio	n/a	0.8%

#### 3.3 Fair value estimation

##### Financial assets and liabilities

The table below analyses the Group's financial instruments carried at fair value as at 31 December 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 measured at fair values at 31 December 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 31 December 2022</b>				
Financial asset at FVOCI				
- unlisted equity investment	—	—	15,113	15,113



### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### Financial assets and liabilities (continued)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfer into level 3 measurements see below.

##### *Financial instruments in level 1*

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

##### *Financial instruments in level 2*

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

##### *Financial instruments in level 3*

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

The following table presents the changes in level 3 instruments at 31 December 2022:

	2022 HK\$'000
Financial asset at FVOCI investment - unlisted equity investment	
At 1 January	—
Addition	16,149
Exchange differences	(1,036)
At 31 December	15,113

The significant unobservable input to the valuation of financial asset at FVOCI as at 31 December 2022 is revenue of the investee. The specific valuation techniques used to value financial asset at FVOCI is market approach, which is based on enterprise value to sales multiples of comparable companies in the market.

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



# Notes to the Consolidated Financial Statements

## 4 Critical estimates and judgements

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

### 4.1 Critical accounting estimates

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

#### (a) Impairment of financial assets

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

#### (b) Net realisable value of inventories

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

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

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

#### (d) Current and deferred income tax

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

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



## 5 Revenue and segment information

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

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

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

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

### (a) Revenue from external customers

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

	2022	2021
	HK\$'000	HK\$'000
Revenue recognised at a point in time:		
Fabric care products	6,821,397	6,456,510
Personal hygiene products	619,015	601,814
Home care products	506,321	539,157
	<b>7,946,733</b>	<b>7,597,481</b>



## Notes to the Consolidated Financial Statements

### 5 Revenue and segment information (continued)

#### (a) Revenue from external customers (continued)

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

	2022 HK\$'000	2021 HK\$'000
Customer A	940,667	1,132,861

Except for customer A, no other customers individually contributed to more than 10% of the Group's total revenue for the year ended 31 December 2022 and 2021.

All of the Group's revenue was generated from customers in the PRC for the year ended 31 December 2022 and 2021, accordingly, no revenue by geographical location is presented.

#### (b) Non-current assets

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

	2022 HK\$'000	2021 HK\$'000
Hong Kong	21,283	13,063
Mainland China	2,236,921	2,269,797
	2,258,204	2,282,860





## 5 Revenue and segment information (continued)

### (c) Liabilities related to contract with customers

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

	2022 HK\$'000	2021 HK\$'000
Contract liabilities related to sales of goods	74,558	60,346

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

### (d) Revenue recognised in relation to contract liabilities

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

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liabilities balance related to sales of goods at the beginning of the year	60,346	30,779

There was no revenue recognised during the year from performance obligations satisfied in the previous year (2021: Nil).

Amount of transaction price from unsatisfied performance obligation as at 31 December 2022 was equivalent to the contract liabilities as at 31 December 2022 (2021: Same). Management expects 100% of the contract liabilities balance as at 31 December 2022 will be recognised as revenue in the next year (approximately HK\$74,558,000). The balance mainly represents receipts in advance from offline distributors.



## Notes to the Consolidated Financial Statements

### 6 Other income and other (losses)/gains, net

	2022	2021
	HK\$'000	HK\$'000
Government grants (Note(a))	53,193	10,851
Net foreign exchange (losses)/gains	(156,023)	64,495
Scrap sales	(2,452)	2,650
Compensation income (Note(b))	1,165	13,139
Sundry income	4,041	1,783
	(100,076)	92,918

Notes:

- (a) Various government grants have been received from the local government authorities for subsidising the operating activities, research and development activities, and acquisition of fixed assets. The government grants represent the amortisation of deferred government grant of HK\$1,424,000 (2021: HK\$1,487,000) (Note 26) and operating subsidies of approximately HK\$51,769,000 (2021: HK\$9,364,000) for the year ended 31 December 2022. Management does not consider that there were any significant unfulfilled conditions or other contingencies attached to these operating subsidies.
- (b) Compensation income has been arisen from a trademark infringement lawsuit against an independent third party (2021: Same).



## 7 Expenses by nature

	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	3,036,104	2,843,712
Manufacturing overheads (excluding depreciation)	13,111	16,012
Employee benefits expense (Note 8)	1,819,456	1,555,931
Advertising expenses	400,489	397,061
Promotion expenses	589,607	593,075
Transportation expenses	618,473	607,570
Other tax expenses	90,345	78,581
Rental expenses related to short term leases	23,540	12,460
Depreciation of property, plant and equipment (Note 16)	133,130	131,558
Depreciation of right-of-use assets (Note 17)	85,476	65,786
Amortisation of intangible assets (Note 15)	33,918	32,413
Auditor's remuneration		
— Audit services	4,000	4,300
— Non-audit services	1,617	1,100
Travelling expenses	41,902	30,255
Motor expenses	15,715	14,793
Consumables	7,229	7,199
Office expenses	3,765	3,266
Recruitment fee	4,047	5,560
Utility expenses	32,829	28,982
Consulting fee	30,430	25,658
Maintenance expenses	28,692	26,061
Property management fee	16,231	9,318
Training expenses	4,215	2,129
Telecommunication expenses	9,372	8,232
Donation	28,197	4,222
Others	38,979	23,717
	<b>7,110,869</b>	<b>6,528,951</b>



## Notes to the Consolidated Financial Statements

### 8 Employee benefits expense

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

	2022 HK\$'000	2021 HK\$'000
Wages, salaries and allowances	1,116,919	937,117
Bonuses and commission	405,670	327,150
Contributions to social security plans	229,957	211,068
Other benefits	33,938	49,618
Share-based compensation expense	32,972	30,978
	<b>1,819,456</b>	1,555,931

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

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



## 8 Employee benefits expense (continued)

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

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

	2022 HK\$'000	2021 HK\$'000
Cost of sales	200,178	194,445
Selling and distribution expenses	946,185	708,021
General and administrative expenses	673,093	653,465
	<b>1,819,456</b>	<b>1,555,931</b>

### (b) Five highest paid individuals

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group consist of 3 (2021: 3) directors respectively, the employee benefits expenses in relation to the remaining 2 (2021: 2) highest paid individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Basic salaries, allowances and other employee welfares	11,494	6,366
Discretionary bonuses	9,933	14,004
Employer's contribution to defined contribution plan	248	215
Share-based compensation expense	517	1,110
	<b>22,192</b>	<b>21,695</b>

The emoluments of the above individuals fell within the following bands for the year ended 31 December 2022:

	2022	2021
HK\$7,000,001 – HK\$7,500,000	1	1
HK\$14,500,001 – HK\$15,000,000	1	1
	<b>2</b>	<b>2</b>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during year (2021: Nil).



## Notes to the Consolidated Financial Statements

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

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

For the year ended	Fee HK\$'000	Basic	Discretionary	Share-based	Employer's	Total HK\$'000
		salaries and allowances HK\$'000	bonuses HK\$'000	compensation expense HK\$'000	contribution to a retirement benefit scheme HK\$'000	
<b>31 December 2022</b>						
<i>Executive directors and the chief executive</i>						
Ms. PAN Dong	600	—	—	—	18	618
Mr. LUO Qiuping (Note)	500	8,012	—	—	18	8,530
Ms. LUO Dong	500	7,871	4,685	1,163	162	14,381
Mr. POON Kwok Leung	500	2,580	630	242	18	3,970
Ms. XIAO Haishan	550	2,238	234	180	109	3,311
<i>Non-executive director</i>						
Mr. CAO Wei	550	—	—	—	—	550
<i>Independent non-executive directors</i>						
Mr. Bruno Robert MERCIER	650	—	—	—	—	650
Ms. NGAN Edith Manling	650	—	—	—	—	650
Mr. HU Yebi	600	—	—	—	—	600
	5,100	20,701	5,549	1,585	325	33,260



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

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

Note:

Mr. LUO Qiuping, a director of the Company, is also the Chief Executive Officer of the Company.

No emoluments were paid by the Group to any of the directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2021: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable as at 31 December 2022 (2021: Nil). No consideration was provided to or received by third parties for making available directors' services during the year (2021: Nil).



## Notes to the Consolidated Financial Statements

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

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year (2021: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).

### 10 Finance income, net

	2022 HK\$'000	2021 HK\$'000
Finance income		
— Interest income on bank deposits	178,752	141,910
Finance costs		
— Interest expenses on bank borrowings	(1,676)	(15,989)
— Interest expenses on lease liabilities	(7,908)	(4,750)
	(9,584)	(20,739)
Finance income, net	169,168	121,171

### 11 Income tax expense

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

	2022 HK\$'000	2021 HK\$'000
Current income tax		
— PRC corporate income tax	291,749	242,093
Deferred income tax (credit)/expense (Note 27)	(65,058)	14,503
Income tax expense	226,691	256,596





## 11 Income tax expense (continued)

### (a) Hong Kong profits tax

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

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

	2022 HK\$'000	2021 HK\$'000
Profit before income tax	838,057	1,271,011
Expected tax calculated at the weighted average applicable tax rate	209,908	297,504
Expenses not deductible for tax purposes	15,320	2,069
Income not subject to tax	(20,151)	(33,238)
Effect of super-deduction for research and development expenses	(10,238)	(7,185)
Losses for which no deferred tax assets were recognised	23,838	—
Withholding tax on unremitted earnings	10,531	11,176
Over-provision	(2,517)	(13,730)
Income tax expense	226,691	256,596

Note:

The weighted average applicable tax rate was 27% (2021: 20%) for the year ended 31 December 2022. The increase was mainly caused by change in the profitability of the Group’s subsidiaries which are applicable to different tax rates.



# Notes to the Consolidated Financial Statements

## 12 Dividends

	2022 HK\$'000	2021 HK\$'000
Proposed final dividend of HK16.8 cents per share (2021: final dividend of HK13.8 cents per share)	935,680	773,184

On 29 March 2022, a final dividend amounted to HK\$773,184,000 in respect of the year ended 31 December 2021 of HK13.8 cents per share was proposed by the Board and was approved by the shareholders of the Company (the “Shareholders”) in the annual general meeting held on 24 June 2022.

A final dividend in respect of the year ended 31 December 2022 of HK16.8 cents per share (2021: HK13.8 cents per share) was proposed by the Board on 28 March 2023 and to be approved by the shareholders in the forthcoming annual general meeting.

This proposed final dividend, amounting to HK\$935,680,000, has not been recognised as a liability in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

## 13 Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$611,366,000 (2021: HK\$1,014,415,000) by the weighted average number of ordinary shares in issue, less shares held under the 2021 Share Award Plan during the year, of approximately 5,600,321,000 shares (2021: 5,800,998,000 shares).

	2022	2021
Profit attributable to equity holders of the Company used in calculating basic and diluted earnings per share (HK\$'000)	611,366	1,014,415
Weighted average number of ordinary shares in issue less shares held under the 2021 Share Award Plan during the year ('000)	5,600,321	5,800,998
Basic earnings per share (HK cent per share)	10.92	17.49



## 13 Earnings per share (continued)

### Diluted

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares: share options and shares held under the 2021 Share Award Plan during the year.

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

	2022 '000	2021 '000
Weighted average number of ordinary shares used in calculating basic earnings per share	5,600,321	5,800,998
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	17,897	32,586
Adjustment for 2021 Share Award Plan	3,908	545
Weighted average number of ordinary shares used in calculating diluted earnings per share	5,622,126	5,834,129

	2022 HK cent	2021 HK cent
Diluted earnings per share attributable to the ordinary equity holders of the Company	10.87	17.39



# Notes to the Consolidated Financial Statements

## 14 Subsidiaries

The following is a full list of subsidiaries held by the Company as at 31 December 2022:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of issued share capital	Ownership interest held by the Group	
				2022	2021
<b>Directly held:</b>					
Blue Moon (BVI) Limited	British Virgin Islands, limited liability company	Investment holding, Hong Kong	HK\$10,000	100%	100%
<b>Indirectly held:</b>					
Blue Moon Group Limited (藍月亮國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK\$427,488,000	100%	100%
Blue Moon (Hong Kong) Trading Limited (藍月亮(香港)貿易有限公司)	Hong Kong, limited liability company	Trading of household care products, Hong Kong	HK\$1	100%	—
Guangzhou Blue Moon Industrial Co., Ltd.# (廣州藍月亮實業有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$36,000,000	100%	100%
Blue Moon (Tianjin) Co., Ltd.# (藍月亮(天津)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$70,000,000	100%	100%
Blue Moon (China) Co., Ltd.# (藍月亮(中國)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$120,000,000	100%	100%
Blue Moon (Kunshan) Co., Ltd.# (藍月亮(昆山)實業有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$80,000,000	100%	100%



## 14 Subsidiaries (continued)

The following is a full list of subsidiaries held by the Company as at 31 December 2022: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of issued share capital	Ownership interest held by the Group	
				2022	2021
<b>Indirectly held (continued):</b>					
Villa La Luna Group Ltd. (月亮小屋國際集團有限公司)	Hong Kong, limited liability company	Investment holding, Hong Kong	HK\$10,000	100%	100%
Xingshuo (Guangzhou) Industrial Co., Ltd.** (星朔(廣州)實業有限公司)	The PRC, limited liability company	Biotechnology development services and production, the PRC	US\$1,250,000	100%	100%
Blue Moon (Chongqing) Co., Ltd.# (藍月亮(重慶)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$100,000,000	100%	100%
Blue Moon (Guangzhou) Co., Ltd.# (藍月亮(廣州)有限公司)	The PRC, limited liability company	Design, research, development and manufacturing of cleaning products, the PRC	US\$84,000,000	100%	100%
Villa La Luna (China) Co., Ltd.** (月亮小屋(中國)有限公司)	The PRC, limited liability company	Laundry services, the PRC	US\$100,000,000	100%	100%
Blue Moon (Guangzhou) Washing Technology Co., Ltd.* (藍月亮(廣州)洗滌科技有限公司)	The PRC, limited liability company	Laundry technology and service, the PRC	RMB10,000,000	100%	100%
Moon House (Shenzhen) Data Technology Co., Ltd.# (月亮小屋(深圳)數據技術有限公司)	The PRC, limited liability company	Data technology and service, the PRC	HK\$10,000,000	100%	100%
Moon House (Nantong) Washing Co. Ltd.* (月亮小屋(南通)洗滌有限公司)	The PRC, limited liability company	Washing services, the PRC	RMB3,000,000	100%	100%



## Notes to the Consolidated Financial Statements

### 14 Subsidiaries (continued)

The following is a full list of subsidiaries held by the Company as at 31 December 2022: (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities/ place of principal activities	Particulars of issued share capital	Ownership interest held by the Group	
				2022	2021
<b>Indirectly held (continued):</b>					
Chengdu Moon House Washing Co. Ltd.* (成都月亮小屋洗滌有限公司)	The PRC, limited liability company	Washing services, the PRC	RMB12,000,000	100%	100%
Moon House (Guangzhou) Cleaning Service Co. Ltd.* (月亮小屋(廣州)清潔服務有限公司)	The PRC, limited liability company	Washing services, the PRC	RMB33,500,000	100%	100%
Moon House Digital Technology Co. Ltd.* (月亮小屋科技有限公司)	The PRC, limited liability company	Data technology and service, the PRC	RMB10,000,000	100%	100%

\* Registered as wholly foreign owned enterprises under PRC law

\* English translation is for identification purpose only



## 15 Intangible assets

	Trademarks and patents HK\$'000	Computer software and development cost HK\$'000	Computer system under development HK\$'000	Total HK\$'000
<b>As at 1 January 2021</b>				
Cost	45,280	257,851	64,160	367,291
Accumulated amortisation	(43,885)	(126,155)	—	(170,040)
Net book amount	1,395	131,696	64,160	197,251
<b>Year ended 31 December 2021</b>				
Opening net book amount	1,395	131,696	64,160	197,251
Additions	—	11,500	13,610	25,110
Write-off	—	(9,894)	—	(9,894)
Amortisation	(224)	(32,189)	—	(32,413)
Exchange differences	131	4,709	1,971	6,811
Closing net book amount	1,302	105,822	79,741	186,865
<b>As at 31 December 2021 and 1 January 2022</b>				
Cost	46,707	270,868	79,741	397,316
Accumulated amortisation	(45,405)	(165,046)	—	(210,451)
Net book amount	1,302	105,822	79,741	186,865
<b>Year ended 31 December 2022</b>				
Opening net book amount	1,302	105,822	79,741	186,865
Additions	—	1,933	1,566	3,499
Transfer	—	34,283	(34,283)	—
Write-off	—	(59)	—	(59)
Amortisation	(346)	(33,572)	—	(33,918)
Exchange differences	(110)	(8,965)	(6,756)	(15,831)
Closing net book amount	846	99,442	40,268	140,556
<b>As at 31 December 2022</b>				
Cost	42,750	284,851	40,268	367,869
Accumulated amortisation	(41,904)	(185,409)	—	(227,313)
Net book amount	846	99,442	40,268	140,556



## Notes to the Consolidated Financial Statements

### 15 Intangible assets (continued)

The Group's computer system under development as at 31 December 2022 represented operating systems and software developed for the Group's internal use to support the Group's daily operations. Such intangible assets, upon completion, cannot generate cash inflows independently, and are considered as "Corporate assets" in accordance with "HKAS36 – Impairment assets". Accordingly, in the impairment testing of such intangible assets not yet available for use, the related carrying amounts are allocated to the related cash generating unit (i.e. the Group's financial performance as a whole) and has been assessed annually on a consistent basis as at 31 December 2022.

No impairment loss for the computer system under development is considered necessary for the year ended 31 December 2022 (2021: Nil) in view of favourable financial performance of the Group.

During the year ended 31 December 2022, the Group wrote off computer software and development cost totalling HK\$59,000 (2021:HK\$9,894,000), which represented retired computer software supporting mobile applications.

All amortisation charges of intangible assets were included in general and administrative expenses (2021: Same).

### 16 Property, plant and equipment

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction -in-progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2022</b>							
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
<b>Year ended 31 December 2022</b>							
Opening net book amount	966,164	337	312,139	88,162	11,482	155,851	1,534,135
Additions	645	14,108	19,141	44,497	11,667	153,141	243,199
Disposals	(316)	–	(11,692)	(12,689)	(408)	–	(25,105)
Transfer	159,135	–	88,206	7,526	–	(254,867)	–
Depreciation	(30,831)	(2,486)	(67,383)	(29,961)	(2,469)	–	(133,130)
Exchange differences	(86,323)	(149)	(26,983)	(7,833)	(1,414)	(8,660)	(131,362)
Closing net book amount	1,008,474	11,810	313,428	89,702	18,858	45,465	1,487,737
<b>As at 31 December 2022</b>							
Cost	1,193,311	24,918	761,177	210,194	35,655	45,465	2,270,720
Accumulated depreciation	(184,837)	(13,108)	(447,749)	(120,492)	(16,797)	–	(782,983)
Net book amount	1,008,474	11,810	313,428	89,702	18,858	45,465	1,487,737





## 16 Property, plant and equipment (continued)

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction -in-progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 January 2021</b>							
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
<b>Year ended 31 December 2021</b>							
Opening net book amount	919,764	–	304,708	70,258	11,076	76,668	1,382,474
Additions	–	366	42,990	26,495	3,684	211,157	284,692
Disposals	(217)	–	(39,332)	(3,583)	(738)	–	(43,870)
Transfer	53,746	–	65,189	16,481	–	(135,416)	–
Depreciation	(34,545)	(59)	(70,303)	(23,766)	(2,885)	–	(131,558)
Exchange differences	27,416	30	8,887	2,277	345	3,442	42,397
Closing net book amount	966,164	337	312,139	88,162	11,482	155,851	1,534,135
<b>As at 31 December 2021</b>							
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



# Notes to the Consolidated Financial Statements

## 16 Property, plant and equipment (continued)

Note:

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

	2022	2021
	HK\$'000	HK\$'000
Cost of sales	66,417	69,326
Selling and distribution expenses	2,657	1,749
General and administrative expenses	64,056	60,483
	133,130	131,558

## 17 Leases

### (a) Right-of-use assets

	2022	2021
	HK\$'000	HK\$'000
Land use rights (Note i)	325,517	361,210
Lease properties (Note ii)	188,545	134,368
	514,062	495,578

Notes:

- (i) Land use rights represent the prepaid operating lease payments of the Group's interests in land use rights located in the PRC, which are held on leases within 50 years. As at 31 December 2022, no land use rights was pledged to banks to secure certain bank facilities (As at 31 December 2021, land use rights with a total carrying amount of approximately HK\$63,730,000 were pledged to banks to secure certain bank facilities (Note 30)).
- (ii) Leased properties of the Group represent mainly offices, factory for cleaning service and training venues for sales personnel. The Group obtains right to control the use of these offices and training venues for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 2 to 10 years.

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



## 17 Leases (continued)

### (a) Right-of-use assets (continued)

Notes: (continued)

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

	2022 HK\$'000	2021 HK\$'000
Selling and distribution expenses	16,522	20,459
General and administrative expenses	68,954	45,327
	85,476	65,786

### (b) Lease liabilities

	2022 HK\$'000	2021 HK\$'000
Current portion	72,781	61,291
Non-current portion	126,779	75,087
	199,560	136,378

The total cash outflows for leases for the year were HK\$79,443,000 (2021: HK\$61,186,000).

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

### (c) Short-term leases

As at 31 December 2022, the total future lease payments for short-term leases amounted to approximately HK\$13,669,000 (2021: HK\$3,238,000) (Note 34(b)).



## Notes to the Consolidated Financial Statements

### 18 Financial asset at fair value through other comprehensive income

	2022 HK\$'000
Unlisted equity investment	
At 1 January	—
Addition	16,149
Exchange differences	(1,036)
At 31 December 2022	15,113

As at 31 December 2022, financial asset at FVOCI comprises of equity interest not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. This is a strategic investment and the Group considers this classification to be more relevant. The fair value of the financial asset at FVOCI was measured at level 3 of fair value hierarchy (Note 3.3).

### 19 Inventories

	2022 HK\$'000	2021 HK\$'000
Raw materials	153,650	175,588
Work in progress	1,526	714
Finished goods	117,724	209,666
	272,900	385,968

The cost of inventories recognised as cost of sales amounted to approximately HK\$3,036,104,000 (2021: HK\$2,843,712,000) (Note 7) for the year. During the year ended 31 December 2022, a provision of HK\$12,942,000 (2021: Nil) was made to write down the inventories and recognised in the consolidated statement of comprehensive income within "Cost of inventories sold".



## 20 Trade and bills receivables

	2022 HK\$'000	2021 HK\$'000
Trade receivables	2,026,342	2,158,290
Bills receivables	111,600	118,997
Trade and bills receivables	2,137,942	2,277,287
Less: Loss allowance	(87,396)	(24,188)
Trade and bills receivables, net	2,050,546	2,253,099

As at 31 December 2022, the carrying amounts of the Group's trade and bills receivables were denominated in RMB and approximated their fair values (2021: Same).

Bills receivables are with average maturity dates of less than six months (2021: six months).

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

The Group generally allows a credit period of up to 60 days to its key account clients and major online e-commerce customers, as well as certain offline distributors with good credit history on a discretionary basis.

The aging analysis of trade and bills receivables as at the year end date, based on invoice date, is as follows:

	2022 HK\$'000	2021 HK\$'000
0–30 days	970,375	1,236,370
31–60 days	398,400	396,681
61–180 days	540,366	470,942
Over 180 days	228,801	173,294
	2,137,942	2,277,287

During the year ended 31 December 2022, sales to offline distributors are generally covered by advances received from customers or letters of credit with bills payable at sight (2021: Same).



## Notes to the Consolidated Financial Statements

### 20 Trade and bills receivables (continued)

The Group has concentration of credit risk on two trade debtors, which are large online e-commerce customers with good credit history, accounted for approximately 33% (2021: 31%) of its total trade debts balance as at 31 December 2022.

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

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

	2022 HK\$'000	2021 HK\$'000
As at 1 January	24,188	12,580
Provision for impairment charged to consolidated statement of comprehensive income	66,899	11,608
Exchange differences	(3,691)	—
As at 31 December	87,396	24,188

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

### 21 Prepayments, deposits and other receivables

	2022 HK\$'000	2021 HK\$'000
<b>Non-current</b>		
Prepayments for acquisition of property, plant and equipment	100,736	66,282
<b>Current</b>		
Prepayments for advertising and promotion expenses	165,350	222,919
Prepayments for raw materials and transportation	4,917	5,484
Other deposits and prepayments	72,266	54,609
VAT recoverable	20,246	4,060
Advances to staff	819	1,309
Receivables from payment intermediaries (Note)	60,800	12,313
Interest receivable	16,301	—
Others	8,307	12,492
	349,006	313,186



## 21 Prepayments, deposits and other receivables (continued)

Note:

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

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

Denominated in:	2022 HK\$'000	2021 HK\$'000
RMB	431,670	379,468
HK\$	18,072	—
	449,742	379,468

## 22 Cash and cash equivalents and restricted cash

	2022 HK\$'000	2021 HK\$'000
Cash at banks	7,702,360	9,233,639
Cash on hand	13	17
	7,702,373	9,233,656
Cash and cash equivalents		
	7,702,360	9,233,639
Maximum exposure to credit risk		
Denominated in:	2022 HK\$'000	2021 HK\$'000
RMB	4,376,724	8,785,945
USD	3,227,297	17,582
HK\$	95,493	429,806
Others	2,859	323
	7,702,373	9,233,656



## Notes to the Consolidated Financial Statements

### 23 Share capital

	Number of shares	Share capital HK\$'000
<b>Authorised ordinary shares of HK\$0.01 each:</b>		
At 1 January and 31 December 2021, and 1 January 2022 and 31 December 2022	10,000,000,000	100,000
<b>Ordinary shares of HK\$0.01 each, issued and fully paid:</b>		
At 1 January 2021	5,747,126,500	57,471
Issuance of ordinary shares upon		
— over-allotment (Note (a))	112,068,500	1,120
— exercise of share options (Note (b))	380,000	4
<b>At 31 December 2021 and 1 January 2022</b>	<b>5,859,575,000</b>	<b>58,595</b>
Issuance of ordinary shares upon exercise of share options (Note (b))	2,541,906	26
<b>At 31 December 2022</b>	<b>5,862,116,906</b>	<b>58,621</b>

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\$1,474,822,000 with approximately HK\$1,120,000 and HK\$1,444,197,000 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) For the year ended 31 December 2022, 2,541,906 (2021: 380,000) share options were exercised at weighted average exercise price of HK\$3.76 (2021: HK\$3.76) per share, resulting in the issuance of 2,541,906 (2021: 380,000) additional ordinary shares of the Company and additional share capital and share premium of approximately HK\$26,000 (2021: HK\$4,000) and HK\$9,532,000 (2021: HK\$1,424,000) respectively.





## 24 Share option scheme and share award plan

### (a) Share option scheme

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

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

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

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

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

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

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



## Notes to the Consolidated Financial Statements

### 24 Share option scheme and share award plan (continued)

#### (a) Share option scheme (continued)

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

2022

	Date of grant	Vesting period		Number of share options					Exercise price per share HK\$	
		from	to	At 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2022		
<b>Directors</b>										
Ms. LUO Dong	23/09/2020	23/09/2020	15/12/2024	4,800,000	–	–	–	4,800,000	10 years from the date of grant	3.76
Mr. POON Kwok Leung	23/09/2020	23/09/2020	15/12/2024	1,000,000	–	(25,000)	–	975,000	10 years from the date of grant	3.76
Ms. XIAO Haishan	23/09/2020	23/09/2020	15/12/2024	900,000	–	–	(62,500)	837,500	10 years from the date of grant	3.76
<b>Other grantees including existing employees and Business Associates of our Group</b>										
In aggregate	23/09/2020	23/09/2020	15/12/2024	51,479,800	–	(2,516,906)	(3,772,485)	45,190,409	10 years from the date of grant	3.76
				58,179,800	–	(2,541,906)	(3,834,985)	51,802,909		

2021

	Date of grant	Vesting period		Number of share options					Exercise price per share HK\$	
		from	to	At 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2021		
<b>Directors</b>										
Ms. LUO Dong	23/09/2020	23/09/2020	15/12/2024	4,800,000	–	–	–	4,800,000	10 years from the date of grant	3.76
Mr. POON Kwok Leung	23/09/2020	23/09/2020	15/12/2024	1,000,000	–	–	–	1,000,000	10 years from the date of grant	3.76
Ms. XIAO Haishan	23/09/2020	23/09/2020	15/12/2024	1,000,000	–	–	(100,000)	900,000	10 years from the date of grant	3.76
<b>Other grantees including existing employees and Business Associates of our Group</b>										
In aggregate	23/09/2020	23/09/2020	15/12/2024	54,851,000	–	(380,000)	(2,991,200)	51,479,800	10 years from the date of grant	3.76
				61,651,000	–	(380,000)	(3,091,200)	58,179,800		



## 24 Share option scheme and share award plan (continued)

### (a) Share option scheme (continued)

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

	2022		
	Weighted average exercise price HK\$ per share	Remaining contractual life Year	Number of options
At the beginning of year	3.76	8.73	58,179,800
Granted during the year	—	—	—
Exercised during the year	3.76	—	(2,541,906)
Lapsed during the year	3.76	—	(3,834,985)
At the end of year	3.76	7.73	51,802,909

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$6.12 (2021: HK\$7.55) per share.

As at 31 December 2022, the Company had 24,204,909 (2021: 13,878,050) exercisable share options outstanding under the Pre-IPO Share Option Scheme. Should they be fully exercised, the Company will receive approximately HK\$91,010,000 (2021: HK\$52,182,000) (before issue expenses). The exercise in full of these exercisable share options would, under the present capital structure of the Company, result in the issue of 24,204,909 (2021: 13,878,050) additional ordinary shares of the Company and additional share capital of approximately HK\$242,000 (2021: HK\$139,000) and share premium of approximately HK\$90,768,000 (2021: HK\$52,043,000) (before issue expenses).

Subsequent to 31 December 2022 and at the date of approval of these consolidated financial statements, the Company had 50,969,410 (2021: 57,064,300) share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.9% (2021: 1.0%) of the Company's shares in issue as at that date.



## Notes to the Consolidated Financial Statements

### 24 Share option scheme and share award plan (continued)

#### (b) Share award plan

##### 2021 Share award plan

On 3 June 2021, the Board approved the adoption of the 2021 share award plan (the “**2021 Share Award Plan**”).

The purposes of the 2021 Share Award Plan is to recognise and reward the contribution of certain eligible participants (as defined below) 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 and to attract suitable personnel for further development of the Group.

The following classes of participants (other than any excluded participants) (the “**Eligible Participants**”) are eligible for participation in the 2021 Share Award Plan:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any Subsidiary or any Invested Entity (an “**Employee**”);
- (b) any executive directors of the Company, any subsidiary of the Group or any Invested Entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and
- (d) any other Group’s or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the 2021 Share Award Plan, the award may be made to any company wholly owned by one or more of the above participants.

The shares which may be subject to an Award or Awards are purchased from the market by an independent trustee (the “**Trustee**”) appointed by the Company.

The maximum number of shares to be subscribed for and/or purchased shall not exceed 5% of the total number of issued Shares as at 3 June 2021 (the adoption date of the 2021 Share Award Plan), being 292,959,750 Shares. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the 2021 Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

The total number of shares which may be subject to an Award or Awards to a selected participant shall not in aggregate exceed 1% of the total number of issued Shares as at the Adoption Date, being 58,591,950 Shares.



## 24 Share option scheme and share award plan (continued)

### (b) Share award plan (continued)

#### 2021 Share award plan (continued)

Subject to and in accordance with the plan rules, the trustee shall transfer to and vest in any selected participant the legal and beneficial ownership of the awarded Shares to which such selected participant is entitled under the relevant award as soon as practicable after the latest of (a) the vesting date as specified in the relevant award notice; and (b) where applicable, the date on which the condition(s) and/or performance target(s) to be attained or paid by such selected participant as specified in the relevant award notice have been attained or paid and notified to the trustee by the Board in writing.

The 2021 Share Award Plan shall be valid and effective for a term of 10 years commencing from the 3 June 2021 but may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any Eligible Participant.

During the year, 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\$424,468,000 (2021: HK\$1,650,681,000) and had been deducted from other reserves as at 31 December 2022. The Shares purchased by the Group that are not yet vested for the 2021 Share Award Plan were recorded as treasury shares of the Group.

Details of the performance shares awarded under the 2021 Share Award Plan during the year ended 31 December 2022 and 2021 are as follows:

Date of grant	Number of awarded Shares	Fair value per share HK\$	Vesting period
17/09/2021	7,048,000	6.65	17/09/2021–17/09/2024
26/09/2021	1,010,000	6.60	26/09/2021–17/09/2024
12/05/2022	555,000	6.02	12/05/2022–11/04/2025

Notes:

- The fair value of the awarded Shares was based on the closing price per share at the date of grant.
- The performance shares awarded on 17 September 2021 are subject to a vesting scale in tranches of 33% of the awarded Shares respectively on the first and second anniversary dates of the grant date or join date and the balance of the remaining awarded Shares on the third anniversary date of the grant date.
- The performance shares awarded on 26 September 2021 are subject to a vesting scale in tranches of 33% or 25% of the awarded Shares respectively on each anniversary dates of the grant date or join date.
- The performance shares awarded on 12 May 2022 are subject to a vesting scale in tranches of 33% of the awarded Shares respectively on each anniversary dates of the join date.
- Vesting of the awarded performance shares is conditional upon the result of comprehensive performance appraisal of the selected participants for the year when the corresponding vesting period is matured.



## Notes to the Consolidated Financial Statements

### 24 Share option scheme and share award plan (continued)

#### (b) Share award plan (continued)

##### 2021 Share award plan (continued)

Movements in number of performance shares awarded under the 2021 Share Award Plan during the year ended 31 December 2022 and the year ended 31 December 2021 are as follows:

	2022	2021
Number of awarded Shares:		
As at 1 January	6,643,000	—
Granted	555,000	8,058,000
Vested	(2,099,767)	—
Lapsed	(596,247)	(1,415,000)
As at 31 December	4,501,986	6,643,000

The weighted average closing price of the Company's shares immediately before the dates on which the shares were vested was HK\$5.88 per share.

Remaining vesting periods of performance shares awarded under the 2021 Share Award Plan as at 31 December are as follows:

	2022		2021	
	Remaining vesting period (Year)	Number of awarded Shares outstanding	Remaining vesting period (Year)	Number of awarded Shares outstanding
Shares awarded in				
2021	1.57 to 1.72	4,241,986	2.44 to 2.72	6,643,000
2022	1.75 to 2.17	260,000	N/A	N/A
		4,501,986		6,643,000



## 24 Share option scheme and share award plan (continued)

### (b) Share award plan (continued)

#### **2022 Share award plan**

On 29 March 2022, the Board approved the adoption of the 2022 share award plan (the “**2022 Share Award Plan**”).

The purpose of the 2022 Share Award Plan is to recognise and reward the contribution of certain eligible participants (as defined below) 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.

The following classes of participants (the “**Eligible Participants**”) are eligible for participation in the 2022 Share Award Plan:

- (a) Executive Directors; and
- (b) directors of any subsidiaries of the Group,

and the 2022 Share Award Plan may be made to any company wholly-owned by an Eligible Participant or any trust which an Eligible Participant is the settlor.

The eligibility of any of the Eligible Participants under the 2022 Share Award Plan to an award shall be determined by the Board from time to time on the basis of the Board’s opinion as to his or her contribution and/or anticipated future contribution to the development and growth of the Group and the grant of an award to Eligible Participants who are Executive Directors of the Company shall be approved by members of the Remuneration Committee (other than by himself or herself).

The shares which may be subject to an Award or Awards are either purchased from the market by the Trustee or donated/transferred for nil consideration to the Trustee.



## Notes to the Consolidated Financial Statements

### 24 Share option scheme and share award plan (continued)

#### (b) Share award plan (continued)

##### **2022 Share award plan (continued)**

The maximum number of Shares which may be awarded under the 2022 Share Award Plan shall not exceed 2% of the total number of issued Shares as at the adoption date, being 117,214,180 Shares, excluding such awarded Shares which have been awarded but lapsed and not vested under the 2022 Share Award Plan. The Board shall not instruct the Trustee to purchase any Shares for the purpose of the 2022 Share Award Plan when doing so will result in such threshold being exceeded. The total number of Shares which may be subject to the Award to a Eligible Participant shall not in aggregate exceed 1% of the total number of issued Shares as at the adoption date, being 58,607,090 Shares.

Subject to and in accordance with the Plan Rules, the Trustee shall transfer to and vest in any Eligible Participant the legal and beneficial ownership of the awarded Shares to which such Eligible Participant is entitled under the relevant Award as soon as practicable after the latest of (a) the vesting date as specified in the relevant Award Notice; and (b) where applicable, the date on which the condition(s) and/or performance target(s) to be attained or paid by such Eligible Participant as specified in the relevant Award Notice have been attained or paid and notified to the Trustee by the Board in writing.

The 2022 Share Award Plan shall be valid and effective for a term of 10 years commencing from the adoption date but may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any Eligible Participants.

As at 31 December 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.

#### (c) Share -based compensation

During the year ended 31 December 2022, share-based compensation expense in relation to the Pre-IPO Share Option Scheme and the 2021 Share Award Plan amounted to HK\$11,153,000 (2021: HK\$23,151,000) and HK\$21,819,000 (2021: HK\$7,827,000), respectively. The total amount of HK\$32,972,000 (2021: HK\$30,978,000) were recognised in the consolidated statement of comprehensive income (Note 8(a)).





## 25 Other reserves

	Share premium HK\$'000	Statutory surplus reserves HK\$'000	Shares held for share award plan HK\$'000	Share-based payment reserve HK\$'000	Exchange translation reserve HK\$'000	Total HK\$'000
<b>As at 1 January 2021</b>	9,560,280	283,963	—	7,087	69,399	9,920,729
Issuance of ordinary shares upon:						
— over-allotment (Note 23(a))	1,473,702	—	—	—	—	1,473,702
— exercise of share options (Note 23(b))	1,424	—	—	—	—	1,424
Listing expenses charged	(29,505)	—	—	—	—	(29,505)
Share-based compensation expense — (Note 24(c))	—	—	—	30,978	—	30,978
Release of share-based payment reserve to share premium upon exercise of share options	339	—	—	(339)	—	—
Purchase of shares held for Share Award Plan	—	—	(1,650,681)	—	—	(1,650,681)
Vesting of awarded Shares	(852)	—	8,679	(7,827)	—	—
Appropriation	—	97,539	—	—	—	97,539
Exchange translation of foreign operations	—	—	—	—	229,828	229,828
<b>As at 31 December 2021</b>	11,005,388	381,502	(1,642,002)	29,899	299,227	10,074,014
<b>As at 1 January 2022</b>	11,005,388	381,502	(1,642,002)	29,899	299,227	10,074,014
Issuance of ordinary shares upon exercise of share options (Note 23(b))	9,532	—	—	—	—	9,532
Share-based compensation expense (Note 24(c))	—	—	—	32,972	—	32,972
Release of share-based payment reserve to share premium upon exercise of share options	2,271	—	—	(2,271)	—	—
Purchase of shares held for Share Award Plan	—	—	(424,468)	—	—	(424,468)
Vesting of awarded Shares	(209)	—	6,279	(6,070)	—	—
Appropriation	—	103,768	—	—	—	103,768
Exchange translation of foreign operations	—	—	—	—	(729,886)	(729,886)
<b>As at 31 December 2022</b>	11,016,982	485,270	(2,060,191)	54,530	(430,659)	9,065,932



## Notes to the Consolidated Financial Statements

### 25 Other reserves (continued)

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.

### 26 Deferred government grant

	2022 HK\$'000	2021 HK\$'000
As at 1 January	64,784	64,377
Amortisation (Note 6)	(1,424)	(1,487)
Exchange differences	(5,426)	1,894
As at 31 December	57,934	64,784

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

### 27 Deferred income tax

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

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

	2022 HK\$'000	2021 HK\$'000
Deferred income tax assets	96,696	42,967
Deferred income tax liabilities	(45,886)	(121,555)
Net deferred income tax assets/(liabilities)	50,810	(78,588)



## 27 Deferred income tax (continued)

The movements in the net deferred income tax assets/(liabilities) are as follows:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	(78,588)	(70,548)
Credited/(charged) to the consolidated statement of comprehensive income (Note 11)	65,058	(14,503)
Withholding tax paid	57,100	9,520
Exchange differences	7,240	(3,057)
<b>As at 31 December</b>	<b>50,810</b>	<b>(78,588)</b>

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

### Deferred income tax liabilities

	Unremitted earnings of PRC entities HK\$'000	Accelerated depreciation HK\$'000	Total HK\$'000
<b>As at 1 January 2021</b>	(103,609)	(38,779)	(142,388)
Charged to the consolidated statement of comprehensive income	(11,176)	(27,751)	(38,927)
Withholding tax paid	9,520	—	9,520
Exchange differences	(3,070)	(1,531)	(4,601)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>(108,335)</b>	<b>(68,061)</b>	<b>(176,396)</b>
Charged to the consolidated statement of comprehensive income	(10,531)	(48,693)	(59,224)
Withholding tax paid	57,100	—	57,100
Exchange differences	7,118	7,865	14,983
<b>As at 31 December 2022</b>	<b>(54,648)</b>	<b>(108,889)</b>	<b>(163,537)</b>



## Notes to the Consolidated Financial Statements

### 27 Deferred income tax (continued)

#### Deferred income tax assets

	Accrued expenses and others HK\$'000	Decelerated depreciation HK\$'000	Unclaimed advertising expenses HK\$'000	Unrealised profits HK\$'000	Lease liabilities HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2021	17,174	1,220	7,510	29,430	16,506	—	71,840
Credited/(charged) to the consolidated statement of comprehensive income	2,835	1,238	(7,620)	(20,816)	14,801	33,985	24,423
Exchange differences	185	54	110	—	701	495	1,545
<b>As at 31 December 2021 and 1 January 2022</b>	<b>20,194</b>	<b>2,512</b>	<b>—</b>	<b>8,614</b>	<b>32,008</b>	<b>34,480</b>	<b>97,808</b>
Credited/(charged) to the consolidated statement of comprehensive income	42,318	(574)	—	15,206	15,496	51,836	124,282
Exchange differences	(1,681)	(213)	—	—	(3,350)	(2,499)	(7,743)
<b>As at 31 December 2022</b>	<b>60,831</b>	<b>1,725</b>	<b>—</b>	<b>23,820</b>	<b>44,154</b>	<b>83,817</b>	<b>214,347</b>

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

As at 31 December 2022, the Group did not recognise deferred income tax assets of approximately HK\$34,408,000 (2021: HK\$220,000) in respect of losses incurred by the Group's PRC subsidiaries amounting to approximately HK\$144,001,000 (2021: HK\$879,000), that can be carried forward for one to five years for offsetting against future taxable income.

As at 31 December 2022, the Group did not recognise deferred income tax assets of approximately HK\$27,708,000 (2021: HK\$17,289,000) in respect of losses incurred by the Group's Hong Kong subsidiaries amounting to approximately HK\$167,930,000 (2021: HK\$104,783,000), that can be used to offset future income with no expiry date.



## 28 Trade and bills payables

	2022 HK\$'000	2021 HK\$'000
Trade and bills payables	481,161	661,633

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

At 31 December 2022, the aging analysis of the trade and bills payables based on invoice date is as follows:

	2022 HK\$'000	2021 HK\$'000
Up to 3 months	480,655	661,633
6 months to 1 year	506	—
	481,161	661,633

Denominated in:	2022 HK\$'000	2021 HK\$'000
RMB	461,901	647,983
USD	18,754	13,650
Euro	506	—
	481,161	661,633

## 29 Accruals and other payables

	2022 HK\$'000	2021 HK\$'000
Deposits from logistic companies	7,892	8,573
Accrued salaries and wages	371,383	289,716
Accrued advertising and promotion expenses	53,745	11,813
Payables for capital expenditures	90,576	29,704
VAT and other tax payables	267	149,844
Transportation cost payables	188,170	200,468
Others	30,294	63,650
	742,327	753,768

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



## Notes to the Consolidated Financial Statements

### 29 Accruals and other payables (continued)

Denominated in:	2022 HK\$'000	2021 HK\$'000
RMB	733,919	745,813
HK\$	8,408	7,955
	742,327	753,768

### 30 Bank borrowings

	2022 HK\$'000	2021 HK\$'000
<i>Unsecured</i>		
Current portion	—	100,000

At 31 December 2022, based on the contractual repayment terms, the Group's bank borrowings maturity analysis would be as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	—	100,000

The Group has undrawn borrowing facilities amounting to approximately HK\$2,489,316,000 (2021: HK\$2,806,519,000) as at 31 December 2022.



## 31 Consolidated statement of cash flows

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

	2022 HK\$'000	2021 HK\$'000
<b>Profit before income tax</b>	838,057	1,271,011
Adjustments for:		
– Interest income	(178,752)	(141,910)
– Interest expense	9,584	20,739
– Depreciation of property, plant and equipment	133,130	131,558
– Depreciation of right-of-use assets	85,476	65,786
– Share-based compensation expense	32,972	30,978
– (Gain)/loss on disposals of plant and equipment	(847)	127
– Loss on early termination of leases	108	132
– Amortisation of intangible assets	33,918	32,413
– Amortisation of deferred government grant	(1,424)	(1,487)
– Write-off of intangible assets	59	9,894
– Provision for impairment of financial assets	66,899	11,608
– Provision for inventories	12,942	–
<b>Operating profit before working capital changes</b>	1,032,122	1,430,849
<b>Changes in working capital:</b>		
– Inventories	71,147	96,240
– Trade and bills receivables	(54,686)	(188,599)
– Prepayments, deposits and other receivables	(49,206)	15,069
– Trade and bills payables	(130,177)	96,076
– Contract liabilities, accruals and other payables	75,062	46,706
– Amount due to a related company	(152)	(111)
<b>Net cash generated from operations</b>	<b>944,110</b>	<b>1,496,230</b>

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

	2022 HK\$'000	2021 HK\$'000
Net book amount	25,105	43,870
Net gain/(loss) on disposals of plant and equipment	847	(127)
<b>Proceeds from disposals of plant and equipment</b>	<b>25,952</b>	<b>43,743</b>



## Notes to the Consolidated Financial Statements

### 31 Consolidated statements of cash flows (continued)

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

	Bank borrowings due within 1 year HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
<b>As at 1 January 2021</b>	—	(2,300,000)	(57,744)	(2,357,744)
Net cash flows	(83,961)	2,704,284	61,186	2,681,509
Non-cash items:				
Addition of leases	—	—	(137,425)	(137,425)
Interest accruals	(15,989)	—	(4,750)	(20,739)
Early termination of leases	—	—	6,833	6,833
Dividend declared	—	(404,284)	—	(404,284)
Exchange difference	(50)	—	(4,478)	(4,528)
<b>As at 31 December 2021</b>	(100,000)	—	(136,378)	(236,378)
<b>As at 1 January 2022</b>	(100,000)	—	(136,378)	(236,378)
Net cash flows	100,000	773,184	79,443	952,627
Non-cash items:				
Addition of leases	—	—	(151,333)	(151,333)
Interest accruals	—	—	(7,908)	(7,908)
Early termination of leases	—	—	1,226	1,226
Dividend declared	—	(773,184)	—	(773,184)
Exchange difference	—	—	15,390	15,390
<b>As at 31 December 2022</b>	—	—	(199,560)	(199,560)

### 32 Related party transactions

#### The Group

The directors of the Company are of the view that the following companies are related parties of the Group:

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





## 32 Related party transactions (continued)

### The Group (continued)

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

#### (a) Transactions with a related party

	2022 HK\$'000	2021 HK\$'000
Purchase of goods and raw materials from: Guangzhou Daoming Chemical Co., Ltd. (Note)	3,488	3,802

Note:

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

#### (b) Balance with a related party

	2022 HK\$'000	2021 HK\$'000
Amount due to a related company — Trade nature Guangzhou Daoming Chemical Co., Ltd.	227	407

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

#### (c) Key management compensation

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

	2022 HK\$'000	2021 HK\$'000
Salaries, bonuses, allowances and other benefits	28,900	30,289
Contributions to social security plans	325	306
Share-based compensation expense	1,585	2,900
	30,810	33,495

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

### The Company

Amounts due from subsidiaries represent expenses paid by Company on behalf of certain subsidiaries and injection of working capital to certain subsidiaries as at 31 December 2022 (2021: Same).



## Notes to the Consolidated Financial Statements

### 33 Financial instruments by category

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

	2022 HK\$'000	2021 HK\$'000
<b>Financial asset at fair value through other comprehensive income</b>	15,113	—
<b>Financial assets at amortised cost</b>		
Trade and bills receivable	2,050,546	2,253,099
Deposits and other receivables	132,439	45,059
Cash and cash equivalents	7,702,373	9,233,656
	<b>9,885,358</b>	11,531,814
<b>Financial liabilities at amortised cost</b>		
Trade and bills payables	481,161	661,633
Financial liabilities included in accruals and other payables	362,785	305,635
Amounts due to related companies	227	407
Bank borrowings	—	100,000
Lease liabilities	199,560	136,378
	<b>1,043,733</b>	1,204,053

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

### 34 Commitments

#### (a) Capital commitments

	2022 HK\$'000	2021 HK\$'000
Acquisition of property, plant and equipment and intangible assets:		
— Contracted but not provided for	91,076	184,494



## 34 Commitments (continued)

### (b) Operating lease as lessee

As at 31 December 2022, the Group has recognised right-of-use assets for non-cancellable leases where the Group is a lessee, except for short-term leases. The future aggregate minimum lease payments under non-cancellable short-term leases not recognised in the consolidated financial statements are as follows:

	2022 HK\$'000	2021 HK\$'000
Properties:		
– No later than 1 year	13,669	3,238

### (c) Committed leases not yet commenced

As at 31 December 2022, the total future lease payments for leases committed but not yet commenced were payable as follows:

	2022 HK\$'000	2021 HK\$'000
Properties:		
– Within one year	327	641
– After one year but within five years	30	393
	357	1,034



## Notes to the Consolidated Financial Statements

### 35 Balance sheet and reserves movement of the Company

#### (a) Balance sheet of the Company

	Note	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		71,048	38,075
<b>Current assets</b>			
Dividend receivable		4,531,500	900,000
Amounts due from subsidiaries	32	2,227,007	6,079,949
Other receivables		16,033	—
Cash and cash equivalents		3,218,050	3,542,921
		9,992,590	10,522,870
<b>Total assets</b>		<b>10,063,638</b>	<b>10,560,945</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	23	58,621	58,595
Reserves	35(b)	9,996,855	10,400,144
<b>Total equity</b>		<b>10,055,476</b>	<b>10,458,739</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables		8,162	2,206
Bank borrowings	30	—	100,000
<b>Total liabilities</b>		<b>8,162</b>	<b>102,206</b>
<b>Total equity and liabilities</b>		<b>10,063,638</b>	<b>10,560,945</b>

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



## 35 Balance sheet and reserves movement of the Company (continued)

### (b) Reserves movements of the Company

	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>As at 1 January 2021</b>	9,567,367	405,758	9,973,125
Profit for the year	—	1,005,385	1,005,385
Issuance of ordinary shares upon:			
— over-allotment (Note 23(a))	1,473,702	—	1,473,702
— exercise of share options (Note 23(b))	1,424	—	1,424
Listing expenses charged	(29,505)	—	(29,505)
Dividend relating to 2020	—	(404,284)	(404,284)
Share options scheme and share award plan (Note 24(c))	30,978	—	30,978
Purchase of shares held for Share Award Plan (Note 24(b))	(1,650,681)	—	(1,650,681)
<b>As at 31 December 2021</b>	9,393,285	1,006,859	10,400,144
<b>As at 1 January 2022</b>	9,393,285	1,006,859	10,400,144
Profit for the year	—	751,859	751,859
Issuance of ordinary shares upon			
— exercise of share options (Note 23(b))	9,532	—	9,532
Dividend relating to 2021 (Note 12)	—	(773,184)	(773,184)
Share options scheme and share award plan (Note 24(c))	32,972	—	32,972
Purchase of shares held for Share Award Plan (Note 24(b))	(424,468)	—	(424,468)
<b>As at 31 December 2022</b>	9,011,321	985,534	9,996,855



## Financial Summary

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

	Year ended December 31				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	7,946,733	7,597,481	6,996,348	7,049,905	6,767,945
Gross profit	4,595,441	4,438,798	4,513,756	4,523,010	3,886,301
Profit before income tax	838,057	1,271,011	1,749,647	1,475,241	701,915
Profit for the year/Profit attributable to equity holders of the Company	611,366	1,014,415	1,309,411	1,079,617	553,985
Earnings per share					
Basic	HK10.92 cents	HK17.49 cents	HK26.03 cents	HK21.59 cents	HK\$55,399
Diluted	HK10.87 cents	HK17.39 cents	HK25.97 cents	HK21.59 cents	HK\$55,399
Dividend per share					
Final	HK16.80 cents	HK13.80 cents	HK6.90 cents	N/A	N/A
Non-current assets	2,354,900	2,325,827	2,053,539	1,909,984	1,835,375
Current assets	10,374,825	12,185,909	13,749,598	3,130,707	2,452,724
Total assets	12,729,725	14,511,736	15,803,137	5,040,691	4,288,099
Non-current liabilities	230,599	261,426	168,442	401,761	326,474
Current liabilities	1,426,346	1,903,888	3,955,274	1,775,851	2,103,842
Total liabilities	1,656,945	2,165,314	4,123,716	2,177,612	2,430,316
Net current assets	8,948,479	10,282,021	9,794,324	1,354,856	348,882
Total assets less current liabilities	11,303,379	12,607,848	11,847,863	3,264,840	2,184,257
Cash and cash equivalents	7,702,373	9,233,656	10,921,095	690,064	467,967
<b>Key Financial Ratio</b>					
Gross profit margin	57.8%	58.4%	64.5%	64.2%	57.4%
Net profit margin	7.7%	13.4%	18.7%	15.3%	8.2%
Current ratio	7.3	6.4	3.5	1.8	1.2
Return on equity	5.2%	8.4%	18.0%	45.7%	34.3%
Return on assets	4.5%	6.7%	12.6%	23.1%	12.8%
Dividend payout ratio	153.0%	76.2%	30.9%	N/A	N/A